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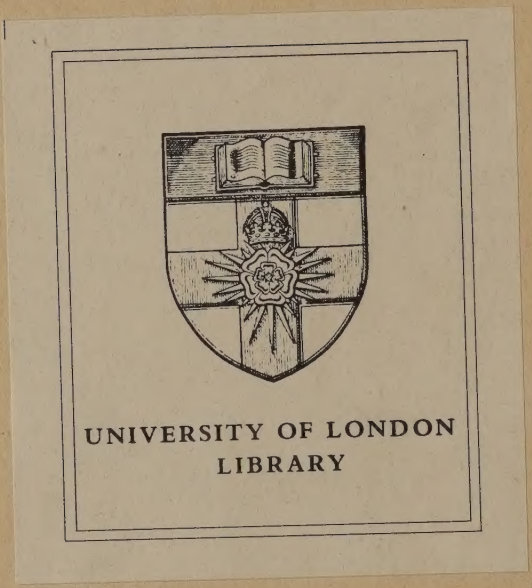

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REPORTS

FROM

COMMITTEES:

SEVEN VOLUMES.

—*(1.)*—

ACCOUNTS, PUBLIC; BUILDING SOCIETIES.

Session

12 *March* 1894——25 *August* 1894.

VOL. IX.

1894.

BIBL.

REPORTS FROM COMMITTEES:

1894.

SEVEN VOLUMES:—CONTENTS OF THE

FIRST VOLUME.

N.B.—*THE* Figures *at the* beginning of the line, *correspond with the* N° *at* the *foot of each* Report; *and the* Figures *at the* end of the line, *refer to the* MS. Paging *of the Volumes arranged for The House of Commons.*

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FIRST

REPORT

FROM THE

COMMITTEE

OF

PUBLIC ACCOUNTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
16 *March* 1894.

LONDON:
PRINTED FOR HER MAJESTY'S STATIONERY OFFICE,
BY EYRE AND SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.

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34.

Committee of Public Accounts.

Ordered,—[*Tuesday*, 13*th March* 1894]:—That the Committee of Public Accounts do consist of Fifteen Members.

Committee nominated of—

Mr. Bartley.
Mr. Buchanan.
Sir John Gorst.
Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Jackson.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Arthur Williams.
Mr. Webb.
Mr. Wodehouse.

That the Committee have power to send for Persons, Papers, and Records.

That Five be the Quorum of the Committee—(Sir *John Hibbert*).

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FIRST REPORT.

THE COMMITTEE of PUBLIC ACCOUNTS have made progress in the Matters to them referred, and have agreed to the following FIRST REPORT:—

ARMY (ORDNANCE FACTORIES) EXCESSES, 1892–93.

1. THE amount to be voted is 100*l.*

2. The actual Expenditure amounted to 2,399,926*l.* 8*s.* 8*d.*, while the estimated Expenditure was 2,298,394*l.*, leaving an excess of 101,032*l.* 8*s.* 8*d.* of Expenditure over estimate.

3. The excess of Appropriations-in-Aid amounted to 103,450*l.* 5*s.* 7*d.*, of which 100,932*l.* 8*s.* 8*d.* have been made available for meeting the above excess of Expenditure over Estimate, leaving a balance of 2,517*l.* 16*s.* 11*d*, which has been paid into the Treasury.

4. The sum of 100,932*l.* 8*s.* 8*d.* being set against the excess sum of 101,032*l.* 8*s.* 8*d.*, leaves a balance of 100*l.* now asked for.

5. The orders for the Indian Government were larger than were anticipated when the original was framed.

CIVIL SERVICES EXCESSES, 1892–93.

6. There has been an excess of 10,470*l.* 16*s.* 8*d.* gross Expenditure over Estimate (under the following Votes: Public Buildings, Great Britain; Local Government Board, Ireland; County Courts; and Supreme Court of Judicature, Ireland), partly covered by 9,785*l.* 2*s.* 8*d.* of Excess Receipts, leaving 685*l.* 14*s.* to be voted.

Your Committee see no objection to these excess sums being allowed.

PROCEEDINGS OF THE COMMITTEE.

Friday, 16*th March* 1894.

MEMBERS PRESENT:

Sir John Hibbert.	Mr. Hanbury.
Mr. Arthur O'Connor.	Sir Arthur Hayter.
Sir Richard Temple.	Mr. Webb.
Mr. Wodehouse.	Mr. Philip Stanhope.
Mr. Alpheus Morton.	

Motion made, and Question proposed, "That Mr. *Wodehouse* do take the Chair of the Committee"—(Sir *John Hibbert*).

Motion made, and Question proposed, "That Mr. *Arthur O'Connor* do take the Chair of the Committee"—(Mr. *Alpheus Morton*).

Motion made, and Question proposed, "That Sir *Richard Temple* do take the Chair of the Committee."—(Mr. *Hanbury*.)

Question put, "That Mr. *Wodehouse* do take the Chair of the Committee."—The Committee divided:

Ayes, 2.	Noes, 3.
Sir Arthur Hayter.	Mr. Alpheus Morton.
Sir John Hibbert.	Mr. Hanbury.
	Mr. Arthur O'Connor.

Question put, "That Mr. *Arthur O'Connor* do take the Chair of the Committee."—The Committee divided:

Ayes, 2.	Noes, 3.
Mr. Alpheus Morton.	Mr. Hanbury.
Mr. Webb.	Sir Arthur Hayter.
	Sir John Hibbert.

Question put, "That Sir *Richard Temple* do take the Chair of the Committee."—The Committee divided:

Ayes, 4.	Noe, 1.
Mr. Alpheus Morton.	Sir Arthur Hayter.
Mr. Hanbury.	
Sir John Hibbert.	
Mr. Webb.	

Sir *Richard Temple* took the Chair accordingly.

The Army (Ordnance Factories), and Civil Service (Class I., Vote 9, Class II., Vote 35, Class III., Votes 5 and 16), Excesses, 1892–93, were considered.

Mr. *R. H. Knox*, C.B., Mr. *E. W Hamilton*, C.B., and Sir *Charles L. Ryan*, K.C.B., were examined.

DRAFT REPORT proposed by the Chairman, read the first and second time, amended and *agreed to.*

Question, That this Draft Report, as amended, be the First Report of the Committee to the House.

Ordered, To report, together with Minutes of Evidence and Appendix.

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

Friday, 16*th March* 1894.

Sir Charles Lister Ryan, K.C.B., Mr. Edward W. Hamilton, C.B., and Mr. Stephen E. Spring Rice - - - - - - - - - - - - - - - p. 1

Mr. Ralph Henry Knox, C.B. - - - - - - - - - - - - - - p. 1

MINUTES OF EVIDENCE.

Friday, 16th March 1894.

MEMBERS PRESENT:

Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Webb.
Mr. Wodehouse.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

ARMY (ORDNANCE FACTORIES), 1892–93.

STATEMENT OF EXCESSES.

Sir CHARLES LISTER RYAN, K.C.B., Mr. EDWARD W. HAMILTON, C.B., and Mr. STEPHEN E. SPRING RICE, called in; and Examined.

Mr. RALPH HENRY KNOX, C.B., called in; and Examined.

Chairman.

1. (To Mr. *Knox.*) I OBSERVE that the excess upon the Army (Ordnance Factories) Vote is very small, namely, 100*l.*; is not that so?—The amount to be voted is merely a token sum of 100*l.*; that is taken with a view of adjusting the account, a larger sum having been spent by the Factories, in consequence of increased orders from India, over what was anticipated when the estimate was prepared.

2. I understand you to say that it is on account of increased demands from India, and I presume, therefore, that India pays?—Yes, India pays; but it is necessary, in accordance with the way in which this Vote is worked under direction from this House, that if there is an excess of expenditure, although we get the money, the account has to be laid before the House for its sanction.

3. But it is recovered, as I understand?—Yes.

Sir *Arthur Hayter.*

4. It is recovered in Appropriations in Aid, is it not?—Yes, in Appropriations in Aid.

Mr. *Alpheus Morton.*

5. The actual excess of expenditure is 101,032*l.* 8*s.* 8*d.*, not 100*l.*, is it not?—India gave us orders to the extent of 100,000*l.* more than what was contemplated when the Estiimates were framed.

6. That money comes from India, and is spent on India?—Yes.

7. Less the 100*l.*?—Yes; the 100*l.* is really only a token sum to bring the Vote before the House.

Sir *Arthur Hayter.*

8. As I understand, you practically have no control over this expenditure at all; it is simply in respect of additional orders from India, paid for by Appropriations in Aid?—Yes; the only thing that has gone wrong, so to speak, is that this fact ought to have been reported by the Ordnance Factories before the end of the financial year; so that we could have come for a Supplementary Estimate, instead of coming for an Excess Vote. If that had been done, an Excess Vote would not have been necessary.

ARMY (ORDNANCE FACTORIES).

Statement of Excesses—*continued*.

Mr. *Wodehouse.*

9. The orders were received in time to obtain a Supplementary Estimate if the Department had been alive to what was coming?—Yes.

Mr. *Arthur O'Connor.*

10. Were the Appropriations in Aid actually paid during the year, or is it merely a matter of account?—They were actually paid. India gave us an advance, and we defrayed the expenditure incurred.

11. I notice that on this Paper headed "Statement of Excesses," "The excess of actual over estimated Appropriations in Aid for Ordnance Factory Services for the same year amounts to 103,450*l.*," whereas only a portion of that is taken, namely, such portion as will leave a balance of 100*l.* to be voted. The difference between the two sums, about 2,500*l.*, is stated in the explanation at the foot of the Paper to have been received, I suppose, by the Treasury; is that so?—It forms a surplus which is taken in aid of the Supply Suspense Account, which is the way in which this account is managed by the Treasury. There is a running account, to which the deficits and surpluses are charged and credited.

12. I want to trace that balance, made up of the difference between 101,032*l.* 8*s.* 8*d.* and 103,450*l.* 5*s.* 7*d.*, say, roughly, 2,500*l.*; what becomes of that; where is it?—It is in the hands of the Treasury.

13. Are the accounts, on which that appears, Treasury Accounts or War Office Accounts?—Treasury Accounts.

Sir *John Hibbert.*

14. It appears in what is called the Suspense Accounts, does it not?—Yes; the Supply Suspense Account.

Mr. *Arthur O'Connor.*

15. Is that kept by the Treasury?—Yes.

16. Not by the War Office?—Not by the War Office.

17. (To Mr. *Hamilton.*) I should like to ask, with regard to the figures on this Return of Excesses on the Army Ordnance Factories Vote, whether the system adopted in connection with the Army Ordnance Factories is the same as that which is adopted throughout the Estimates?—I think I may say that it is, so far as it goes. It is entirely conducted by a system of Appropriations in Aid.

18. What I wish to ascertain is whether the same system is always adopted. If you have Appropriations in Aid exactly sufficient to meet an excess, you would not have to come for an Excess Vote?—Yes; we certainly should have to do so.

19. If you have Appropriations in Aid greater than had been estimated, and greater even than is necessary to meet your gross expenditure, even though that gross expenditure be greater than was originally estimated, you have a balance?—Quite so.

20. What becomes of that balance?—It is surrendered to the Exchequer, or written off against the grant of the next year.

21. The reason I am asking the question is because I notice in certain other cases, where you have considerable excesses of Appropriations in Aid, you have taken only a portion of those excesses, a nominal sum, such as 10*l.*, in aid of the Vote, and have called for an Excess Vote in connection with the several cases?—Yes.

22. Surely that is not quite in conformity with the system indicated by your previous answer?—I am afraid I do not quite follow the honourable Member's point.

23. I understood you to say that if your Appropriations in Aid so far exceed your excess expenditure, that you are able to meet the excess out of the increased appropriations; you have a balance which is surrendered to the Treasury?—Yes.

24. In some cases, then, you simply surrender the balance to the Treasury?—I am afraid, in giving my answer just now, I was under a misapprehension as regards this particular Vote. Of course, in an ordinary Vote that would be the case. The balance would be written off against the grant next year, or surrendered to the Treasury; but to that rule the Ordnance Factories Vote is the one exception. My original answer was incorrect in that respect.

Chairman.

25. I understand you to say that, in the case of this particular Department, there is an exception to the rule which you laid down as to the surrender of the balance to the Treasury?—That is so.

26. Will you kindly explain what the practice is as regards the Ordnance Factories?—It is a running account in their case.

27. The balance is not surrendered, but is kept in a running account; is that so?—Yes; I should correct my former answer to that extent.

Mr. *Hanbury.*

28. (To Mr. *Knox.*) To make this point quite clear, let me ask you this question; you said there was a balance in favour of India always in the hands of the Treasury, or in the War Office, whichever it may be?—In the hands of the War Office.

29. What is the amount of that balance?—They make an advance at the beginning of the year; it stands at 150,000*l.*, I think.

30. What is the total amount of the work done for the India Office in the course of the year?—£.250,000.

31. In anticipation of your doing work for the India Office to the 250,000*l.*, they advance you, at the beginning of the financial year, 150,000*l.*, and

16 *March* 1894.] Sir C. L. Ryan, K.C.B., Mr. Hamilton, C.B., Mr. Rice, and Mr. Knox, C.B. [*Continued.*

ARMY (ORDNANCE FACTORIES).

Statement of Excesses—*continued.*

Mr. *Hanbury*—continued.

and then, I suppose, pay other sums in the course of the year?—Yes, from time to time.

32. Do you get advances from the other Departments in the same way?—Yes; the War Office and the Admiralty give advances in the same way.

33. Do they bear the same proportion to the amount of work done?—No; it is more in accordance with the demands made quarterly, depending upon the progress of the work.

34. In fact, no other Department, except India, pays this very large sum at the beginning of the year?—Quite so.

35. What is the reason for that difference being made?—The India Office preferred to adopt that plan.

36. Do you know on what grounds?—No; but we had some considerable correspondence with them, when this system was first started, as to the way in which they would like it arranged, and they said they would like to make the advance in that way at the beginning of the year.

Chairman.

37. Do you think it is because of India being so far away?—No, we settle it with the India Office.

Mr. *Arthur O'Connor.*

38. As I understand, they always leave a certain margin over and above what they are likely to require?—Yes.

39. What is the margin?—It varies from time to time.

40. What would it be during the period of this account?—I do not know exactly what it was.

41. Would it be a quarter of a million?—Certainly not.

42. Would it be 100,000*l.*?—I should think it would be something short of 100,000*l.*

43. I asked the question, for this reason: although you speak of a quarter of a million as being the amount required for India, I see in the Estimates for the period now under observation the sum was 150,000*l.*?—Yes, and they gave orders to the extent of 250,000*l.*

44. And yet their margin was sufficient to cover the whole?—Yes.

45. So that the margin must have been at least 100,000*l.*?—It varied from time to time; as we found the Indian money was running out we asked them for more money.

46. Then it is not provided for at the beginning of the year?—An advance is made at the beginning of the year of 150,000*l.*

Mr. *Alpheus Morton.*

47. You get 150,000*l.* advance at the beginning of every financial year, I understand?—Yes.

48. Had you a balance in hand besides that?—No.

49. You had cleared up the account?—Yes.

ARMY (ORDNANCE FACTORIES).

Statement of Excesses—*continued.*

Mr. *Hanbury.*

50. In the year before India received warlike stores and various things to the amount of 247,000*l.*; 150,000*l.*, as I understand, was advanced at the beginning of the financial year, and the remainder was practically made up quarterly; is that it?—It is made up periodically; I do not remember whether it is quarterly in their case or not.

51. Do you know what balance was still in hand from India at the end of the previous financial year?—They practically start us with 150,000*l.* at the beginning of the year; that is the object of the arrangement.

52. That would be the case at the end of the financial year we are now approaching; everything is worked off?—Yes.

Mr. *Alpheus Morton.*

53. If there is a balance in hand, they only give you enough, as I understand, to make up the advance to 150,000*l.*?—Yes.

Mr. *Arthur O'Connor.*

54. Who keeps the Suspense Account?—The Treasury keeps the Suspense Account with regard to the final settlement of all these accounts, but not the Suspense Account with regard to India.

55. Then, with regard to your arrangements with India you are dependent upon your own books, not upon the books of the Treasury?—Quite so.

Chairman.

56. (To Sir *C. L. Ryan.*) Have you any remarks to make upon what has been said?—No; this Excess Vote gives Parliamentary authority for the sums which have been spent in excess of that which is stated in the Estimate, and sets the accounts right by a nominal Vote.

57. You heard what Mr. Knox said to the effect that if information had been received from some particular quarter this excess might have been avoided; do you think that any fault is to be found on that account with anyone?—I have no cognisance of where the information should have come from, and can express no opinion on that point.

58. (To Mr. *Knox.*) I understood you to say that the excess would have been avoided if certain information had been received from a particular quarter?—What I said was, that this Excess Vote would have been avoided. The Excess Expenditure would not have been avoided, but it would have been met by a Supplementary Estimate instead of by an Excess Vote if we had been informed in time to obtain a Supplementary Estimate.

59. Do you think that anybody was to blame for that?—They were not alive at the Ordnance Factories to the necessity of providing a Supplementary Estimate for it. They are alive now to that necessity, as is proved by the fact that this year we have taken a Supplementary Estimate

16 *March* 1894.] Sir C. L. Ryan, K.C.B., Mr. Hamilton, C.B., Mr. Rice, and Mr. Knox, C.B. [*Continued.*

Army (Ordnance Factories).

Statement of Excesses—*continued.*

Chairman—continued.

to cover this very state of things. That Supplementary Estimate was taken last night. We hope, in future, these Excess Votes will be avoided. The Department is better informed in the progress of the working of the scheme as to their position, and in the Estimates of next year I think we shall be found to have made sufficient provision to avoid either an Excess Vote or a Supplementary Estimate.

Army (Ordnance Factories).

Statement of Excesses—*continued.*

Mr. *Hanbury.*

60. How long has it been the practice to treat India differently in this respect from, for instance, the Admiralty, and to obtain from them an advance of this lump sum at the beginning of the financial year?—Since this mode of working the Ordnance Factories was started.

61. That is to say, quite recently?—Quite recently.

[Mr. *Knox* withdrew.

CIVIL SERVICES, 1892-93.

Statement of Excesses.

Chairman.

62. (To Mr. *Hamilton.*) What have you to say with regard to the several Excesses shown in this Statement, amounting in all to 685*l.*, of which the first is an excess of 655*l.* in respect of Public Buildings, Great Britain?—I do not think I can usefully add anything to the Notes which are appended to the Statement.

63. The explanation in the Statement is, that "the Excess was caused by a large increase in the rentals of the premises occupied by the National Debt Commissioners and Public Works Loan Commissioners?—That is the explanation with regard to the Public Buildings, Great Britain, Vote. The payment of this additional rent was not foreseen in time enough to take a Supplementary Estimate in February 1893.

64. Had you then no reason to think that the rent would be raised?—We knew that it was going to be raised, but we did not know whether it would fall within the year. It was a matter of agreement with the Bank of England. We did not know when the agreement would be complete. When the Supplementary Estimates were presented in February 1893 this matter had not been finally settled.

Sir *John Hibbert.*

65. The arrangements were not completed when the Supplementary Estimate was prepared by the Office of Works, as I understand?—That is so.

Mr. *Arthur O'Connor.*

66. I suppose this question of rental was a question settled as between the owners of the buildings and the Treasury?—Yes, the Bank of England and the Treasury.

67. The National Debt Commissioners or the Public Works Loan Commissioners had nothing to say to it, I suppose?—No.

Mr. *Alpheus Morton.*

68. I see there is a sum stated in this Return as "Excess of Receipts over Estimate, 2,118*l.*;" what does that Excess of Receipts come from?—I think the greater part of it is due to the sale of part of Millbank Prison which was not foreseen at the time the Estimate was framed.

69. In point of fact you took the money which you raised from selling a part of Millbank Prison and spent it on additional rent?—The unforeseen expenditure was incurred with Treasury authority.

70. I suppose this money is actually spent, is it not?—Parliament can refuse to grant this Excess Vote.

71. I suppose this rent is actually paid, is it not?—The rent is paid, no doubt.

72. I suppose if you had had enough in the way of Excess Receipts over Estimate to cover the whole of this excess of gross expenditure, namely, 2,774*l.*, you would not have come to Parliament at all?—Most certainly we should have had to come to Parliament; a Department cannot spend a sixpence of Excess Appropriations in Aid without fresh authority from Parliament.

73. If you get a saving under one Sub-head you do spend it on another Sub-head, do you not?—Yes, with the sanction of the Treasury, provided it is within the total grant; but that, I would submit, is not an analogous case to that to which the honourable Member is referring. I think what the honourable Member is referring to is the question whether a Department has power to spend a larger amount of receipts if it gets them in the course of the year than what is put down to the credit Sub-head.

74. That, no doubt, is the point on the Paper before us, but I do not see any difference between spending that money and spending savings?—The difference consists in this: that savings are within

16 *March* 1894.] Sir C. L. Ryan, K.C.B., Mr. Hamilton, C.B., and Mr. Rice. [*Continued.*

Civil Services.

Statement of Excesses—*continued.*

Mr. *Alpheus Morton*—continued.

within the total grant. Supposing Parliament has granted 50,000*l.* under various Sub-heads, provided the total 50,000*l.* is not exceeded, the Department, with the leave of the Treasury, can spend more than the amount in the Estimate on one Sub-head if it has saved on another Sub-head.

75. Suppose it was spent on purposes which Parliament objected to, what control has Parliament got?—The Comptroller and Auditor General would call the attention of the Public Accounts Committee to it, and the Committee would call the attention of the House to it.

Chairman.

76. I understand you to say that this amount of 2,118*l.* is not taken up yet, but it is available to be taken if the Committee should think fit, but not otherwise?—Yes, Parliament can disallow it, of course.

Mr. *Wodehouse.*

77. And it is open to this Committee to report it for disallowance now if they choose?—Yes.

Mr. *Arthur O'Connor.*

78. Do the four Votes appearing in this statement represent all the Votes in which the Original Estimate has been exceeded?—The answer to that question depends upon whether the honourable Member means by the words "the Original Estimate," the Original Grant or the Estimate of Receipts.

79. There were certain Original Estimates of Expenditure for the different classes of Votes, and for each particular Vote. In aid of the gross expenditure certain sums of anticipated receipts were to be taken, and appropriated in aid, reducing the total sum to be actually voted?—That is so.

80. Then in each case a certain sum being voted, are we to understand that these four Votes are the only Votes in which the total voted has been exceeded?—These are the only cases where the expenditure has exceeded the Original Estimate; but they are not necessarily the only cases where the total receipts have exceeded the estimate. The receipts may have exceeded the estimate, and, if so, they would be surrendered to the Exchequer.

81. Then the Department, whatever it may be, has either spent the exact sum voted, or something short, in which case it has surrendered the balance to the Exchequer, or, by aid of the appropriations, in excess of the Original Estimate, has had the balance simply repaid to the Exchequer?—The total gross estimate cannot be exceeded, without fresh Parliamentary power.

82. Let me put my question in this way: a service is calculated to cost, we will say, 1,000*l.*; in respect of that service you anticipate to receive 100*l.* from some source or other; you take the 100*l.* as an Appropriation in Aid, and you reduce your voted sum by that amount;—Yes.

Civil Services.

Statement of Excesses—*continued.*

Mr. *Arthur O'Connor*—continued.

83. If you expend 1,000*l.*, and you receive exactly what you anticipated, there is nothing to surrender, and there is no excess?—No.

84. But suppose you expend 1,200*l.*, and your Appropriations in Aid came up to 300*l.*, what do you then do?—We come to Parliament and say, There has been an excess of 200*l.*; but we have got cash in hand to the extent of 200*l.* more than what we expected, and therefore we only ask Parliament to give us a nominal sum in the shape of 10*l.*, and Parliament, in granting that additional sum, authorises the entire excess expenditure.

85. Why should you deal with some of these Votes differently from others; you have in the case of the Local Government Board, Ireland, an excess of gross expenditure of 576*l.*?—Yes.

86. And you have a considerable excess of receipts over estimate. In that case, instead of defraying the whole of your Excess Expenditure out of your Excess Receipts, you appropriate some of your Excess Receipts for the purpose of defraying that expenditure, and then come for an Excess Vote, not of the true sum, but of a sum arbitrarily fixed; in this case, 10*l.*?—Yes. Parliament, in passing this Excess Vote, authorises the appropriation, not only of the 10*l.*, which it votes, but of the 566*l.* Extra Receipts, which the Department could not otherwise have spent.

87. What is the object of doing that?—To give Parliament control.

88. I thought you told me, in the case I put to you just now, that if your expenditure was 1,200*l.*, as against an estimate of 1,000*l.*, you would come and ask for an Excess Vote of 200*l.*?—No; if the Extra Receipts were, according to the honourable Member's illustration, 200*l.* in excess of the Original Estimate, all we should ask Parliament to do would be to grant a nominal sum, because it would be unnecessary to vote the whole of the 200*l.*, and pay the Extra Receipts into the Exchequer. That would be reverting to the old system. It is to avoid that paying in, and paying out again, that Parliament is asked only to vote a nominal amount. It might be 1*l.* just as well as 10*l.*

89. Given that the necessity is recognised of introducing an Excess Vote, why does not the Excess Vote represent the real facts of the case; what advantage is there in giving a fictitious amount rather than the true amount?—I do not know how the account could represent it more accurately than it does at the present moment.

90. Take the case of the Local Government Board, Ireland, Vote, on the Return we are considering; you have an excess of gross expenditure over estimate of 576*l.*?—Yes.

91. And you have considerable excess, in receipts, over the estimate?—Yes.

92. What is the excess actually?—£. 1,100, I think.

93. Now, you are getting not only more than you originally expected you would get, but

16 *March* 1894.] Sir C. L. Ryan, K.C.B., Mr. Hamilton, C.B., and Mr. Rice. [*Continued.*

Civil Services.

Statement of Excesses—*continued.*

Mr. *Arthur O'Connor*—continued.

actually 600*l.* more than your own Excess Expenditure?—Yes.

94. Instead of showing on this Return what the facts are, you put down a figure which would appear to indicate that only a sum of 10*l.* is required?—That is explained in the foot-note to show it is purely a nominal sum taken.

95. No figures are given, and, without these questions being put, we should never know the facts?—No Parliamentary authority is required to enable a Department to surrender to the Exchequer these Excess Receipts, which it does not require. It is only necessary to ask Parliament to make good an excess of expenditure over estimate.

96. Why should not you show what the facts really are?—Can the honourable Member suggest how it would be done? This 576*l.* is the excess of gross expenditure on the Local Government Board, Ireland, over estimate, and the receipts were larger than was anticipated by 1,100*l.*, which, had the expenditure not exceeded the extimate, would be surrenderable. What we ask Parliament to do is to sanction that excess by voting a part—a nominal sum—and authorising the application of the surplus receipts to the balance.

97. In other words, you not only have a surplus now from your receipts, which you pay into the Exchequer, but you come and ask for a sum of 10*l.*, which you do not want, as if you did want it; and there is nothing in the Return which is submitted to Parliament, on which the sum is voted, which would put Parliament in possession of the real facts of the case?—Begging the honourable Member's pardon, the Excess Receipts appear in the Appropriation Accounts submitted to Parliament. What the honourable Member is looking at now is a Paper handed in by the Treasury to make clear to the Committee what they are now asked to do.

98. But this is a statement of the sums required to be voted?—Certainly.

99. The Appropriation Account is not in the hands of honourable Members when they are called upon to vote in Parliament. They may, of course, go and hunt it up, but on the Paper submitted of the sums to be voted by the House of Commons there is no explanation of the real facts of the case?—The amount of the excess receipts are, I admit, not stated. It might be stated in a foot-note.

100. As a matter of fact, it is not stated?—No; I do not know that any great advantage would be gained by stating the amount that is to be handed over to the Exchequer.

101. My point is this: Papers are submitted to Parliament on which votes are taken as for money required, and these Papers do not reveal to Parliament the real facts of the case?—If the honourable Member will look at the Appropriation Accounts (which is the Parliamentary document), he will find, on page 231, the exact amount of the Excess Receipts given as 1,127 *l.* 17 *s.* 9*d.*

Civil Services.

Statement of Excesses—*continued.*

Mr. *Arthur O'Connor*—continued.

102. But those are not Papers that honourable Members have in their hands when they are called upon to vote the money?—The Return the honourable Member has in his hand is merely a Supplementary Paper, submitted by the Treasury to the Committee as a matter of explanation. I think I am right in saying that, in old days, no such Paper was ever presented to the Committee.

103. I am not speaking of this Committee, which may be regarded as a Committee of Experts perfectly conversant with the Appropriation Accounts; I am speaking of an ordinary Member of Parliament who is called upon to vote certain sums as required for the public service without being furnished with the details which enable him to understand the real situation?—The exact amount will be found on page 231 of the Appropriation Account.

Mr. *John Hibbert.*

104. Would there be any objection to directing attention in a note to the page in the Appropriation Accounts?—None whatever.

Mr. *Wodehouse.*

105. That is done practically by this Return, which gives the particular page of the Appropriation Account?—Yes; in the first column on page 2 of the Return before the Committee, the actual page of the Appropriation Account is given.

Mr. *Arthur O'Connor.*

106. I was not asking to have the reference to the Appropriation Account. My point is this: would it not be equally easy for the Treasury when they submit a Vote to Parliament to put so much on the Paper as is necessary to enable any ordinary reader to understand the real situation of Votes upon which Excesses have arisen?—I am sure the Treasury would be most happy to endeavour to make it as clear to the Committee as they possibly could. Our only object is to make it intelligible to the House.

Sir *John Hibbert.*

107. You will consider how far the information can be given?—Certainly; it might be given in a foot-note.

Chairman.

108. It would save honourable Members the trouble of referring to the Appropriation Accounts if the information was put into a foot-note?—I will endeavour to do so.

109. The same question arises upon the County Courts Vote and the Supreme Court of Judicature, Ireland, Vote; is there anything you would wish to add to the explanation given on page 3 of this Statement?—I have nothing to add.

Mr. *Alpheus Morton.*

110. Would you tell me why these Excess Receipts could not be paid into the Treasury in the same way as any excess from Income Tax or any

16 *March* 1894.] Sir C. L. Ryan, K.C.B., Mr. Hamilton, C.B., and Mr. Rice. [*Continued.*

Civil Services.

Statement of Excesses—*continued.*

Mr. *Alpheus Morton*—continued.

any other tax; why should you not come to Parliament and ask for Supplementary Votes for all these amounts?—The honourable Member is, perhaps, not aware of the system by which we do now appropriate receipts in aid of expenditure. That is the system which has been adopted in the last few years.

111. But I want to break down that system, because, as a matter of fact, though I quite understand this is a fair and honest enough statement, still you only come for 10*l.* instead of coming for 576*l.*, for instance, which is the excess of the expenditure over estimate in this first item?—By such a suggestion the honourable Member strikes at the root of the whole system.

112. Very likely, but that is what I want to do. I want you to come and ask Parliament for the whole amount that you expend, not an amount less receipts?—Of course that raises a very big question. It is upsetting the whole system that has been deliberately adopted by successive Committees of Public Accounts during the last few years.

113. Do you not think that would be the fairer way, and a way more easily understood by honourable Members?—No, I think it would complicate our accounts. It would be partly paying into the Exchequer these miscellaneous receipts, and partly dealing with them on the Votes.

114. Do you not see that the present system is liable to be misunderstood by honourable Members, who may say the excess is only 10*l.*?—Perhaps the honourable Member does not study this Statement of Excesses, because it sets out in the first column on the right-hand side the excess of gross expenditure over estimate as 2,774*l.* as the full amount which Parliament has to make good.

115. I am afraid honourable Members do not understand what is required as it stands at present. If you were to ask in the case of Class II., for instance, for the actual excess of expenditure of the 576*l.*, they could not help understanding that you wanted that amount, and not only 10*l.*, which appears as the amount to be voted?—I am afraid the same remark would apply to the whole system of Appropriations in Aid. Suppose you have a gross expenditure of 50,000*l.*, and you take 5,000*l.* in receipts in aid of that, the total Parliament is required to grant is 45,000*l.*; and in that case, on the same reasoning, the honourable Member might say that was most misleading.

116. Might you not reduce the whole thing to an absurdity, supposing you were to take the whole receipts and deduct the expenditure, and come to Parliament only for the balance?—That is a hypothetical case. We have a case like that of the Mint, where the receipts exceed the expenditure. The honourable Member will not understand me as maintaining that there is not a great deal to be said for the old system in which

Civil Services.

Statement of Excesses—*continued.*

Mr. *Alpheus Morton*—continued.

every sixpence went into the Exchequer, and everything was voted; but I am pointing out that that system has been deliberately reversed by successive Committees of Public Accounts, and their decision adopted by Parliament.

Sir *John Hibbert.*

117. In fact this new system, which was established some three or four years ago on the recommendation of the late Government, has been confirmed by the House of Commons in two successive years?—Yes; but even then it was an amplification of what had been done many years before in the case of the Army and Navy.

Mr. *Wodehouse.*

118. When was the original change made?—In 1882.

Sir *John Hibbert.*

119. That is in respect of the Army and Navy?—Yes; and since then it has been gradually introduced into the Civil Service Estimates.

120. I think it now applies to two-thirds or three-fourths of the Civil Service Estimates?—Yes, I think so.

Mr. *Arthur O'Connor.*

121. Instead of being Appropriations in Aid, they were called Exchequer Extra Receipts, were they not?—It used to go in as miscellaneous revenue.

Mr. *Alpheus Morton.*

122. Then you came to Parliament for the actual amount you expended?—Yes.

Chairman.

123. (To Sir *C. L. Ryan.*) Have you any remarks to make upon what has been said?—I have no remarks to make in addition to what appears in the Statement before the Committee.

Mr. *Alpheus Morton.*

124. Do you not think it would be a better system, as you have heard me state, to pay the money in as it is received, and to ask Parliament for the total amount, with a view to letting honourable Members know what the real facts are?—Does the honourable Member mean only with regard to Statement of Excesses?

125. I mean with regard to everything?—That would be raising a very large question, upon which I could hardly give an opinion offhand. This system has been deliberately adopted by Parliament, sanctioned by the Estimates, and it would not be for me to give an opinion upon it.

Chairman.

126. Has not that system been sanctioned by this Committee?—It was before the Public Accounts Committee when the system was originally established, with regard to the Army and Navy, and it has been before the Public Accounts Committee since, and in each case the

16 *March* 1894.] Sir C. L. Ryan, K.C.B., Mr. Hamilton, C.B., and Mr. Rice. [*Continued.*

Civil Services.

Statement of Excesses—*continued.*

Chairman—continued.

decision of the Government has been adopted by the Committee and afterwards confirmed by the House, and has been recognised by Statute in the Public Accounts and Charges Act, 1891. To reverse the system now, without full and thorough inquiry, would be a matter of considerable difficulty, would destroy the comparison of Estimates, and it would be a question on which, in my position here, I could not venture to give an opinion.

Mr. *Alpheus Morton.*

127. You see the difficulty of the present system, I presume?—I see one difficulty; it is one which is not before the Committee just now, but it is one which I have raised in my Report, with regard to full Parliamentary sanction. That is the only difficulty I see. That difficulty is raised in my Report, and I presume the Committee will consider it when it comes before them.

Mr. *Arthur O'Connor.*

128. Would that difficulty have any bearing upon any of the items that we have to deal with to-day?—No, I think not. It is mainly with regard to larger sums, where a nominal amount is only taken for a large expenditure.

Mr. *Wodehouse.*

129. Is your own power, as Auditor General, over the accounts impaired by the present system in any way?—Not in any way whatever. The Comptroller and Auditor General's grip, so to speak, upon the accounts is quite as strong in the case of a nominal Vote of 100*l.* as it would be if the full sum were voted; because the detail of the way in which the expenditure is intended to be met is shown at the same time as the 100*l.* is taken.

130. Then the remark you made just now about the other point you raised in your general Report has no reference to your own power of control as Comptroller and Auditor General?—In no way. It is rather a constitutional point than one referring immediately to my own power.

Mr. *Arthur O'Connor.*

131. (To Mr. *Hamilton.*) Of course, you quite apprehend that the point of view from

Civil Services.

Statement of Excesses—*continued.*

Mr. *Arthur O'Connor*—continued.

which the questions I put a little while ago were directed was the House of Commons point of view, and not the Comptroller and Auditor General's point of view?—Quite so.

Mr. *Alpheus Morton.*

132. That is so also as regards the questions I put. It is the Members of the House of Commons I want to be fully informed as to what they are voting?—Quite so.

Mr. *Webb.*

133. Does there not appear on the Paper, which honourable Members have, both the total amount to be spent and the total amount received?—Certainly, both those amounts appear.

Sir *John Hibbert.*

134. (To Sir *C. L. Ryan.*) I do not know if you have noticed in the new Estimates, which are now on the Table, that there is an additional column this year showing the expenditure plus the Appropriations in Aid, so that the House of Commons would see the total amount which is to be spent?—I have not seen the new Estimates, but the old Estimates gave the information.

135. It is now put in a separate form in a column by itself, so as to bring it out more clearly; would you think that an advantage?—Certainly.

Chairman.

136. (To Mr. *Hamilton.*) Have you any Papers to lay before the Committee?—I have three Papers to hand in. First, the Treasury Minute upon the Public Accounts Committee of last year on the Civil and Miscellaneous Accounts; secondly, the Treasury Minute on the Report of the Public Accounts Committee of last year relating to the Army and Navy Accounts; and, thirdly, the usual Statement giving a Comparison of Exchequer Issues with Audited Expenditure, and a General Abstract of the Appropriation Accounts for 1891–92.

[The Witnesses withdrew.

APPENDIX.

LIST OF APPENDIX.

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Paper handed in by Mr. E. W. Hamilton, C.B., 16 March 1894 : PAGE

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Civil Services, 1891–92.—Abstract Statement showing the Appropriation of Grants for the undermentioned Civil Services, after Audit by the Comptroller and Auditor General and Review by the Public Accounts Committee of the House of Commons, for the Year ended 31st March 1892 ; and the Amounts of the Unexpended Balances or Deficiencies arising upon the same - - - - - - - - 13

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APPENDIX.

APPENDIX, No. 1.

PAPER handed in by Mr. *E. W. Hamilton*, C.B., 16 March 1894.

1891-92.

COMPARISON OF EXCHEQUER ISSUES WITH AUDITED EXPENDITURE

AND

GENERAL ABSTRACT OF APPROPRIATION ACCOUNTS.

(After audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons.)

Treasury, 16 March 1894.

COMPARISON of EXCHEQUER ISSUES in 1891-92, with AUDITED EXPENDITURE for that Year.

	Exchequer Issues.	Audited Expenditure.	Exchequer Issues. More than Audited Expenditure.	Exchequer Issues. Less than Audited Expenditure.
	£. s. d.	£. s. d.	£. s. d.	£. s. d.
CONSOLIDATED FUND SERVICES	29,009,498 18 6	29,009,498 18 6	—	—
ARMY (including ARMY PURCHASE COMMISSION)	17,258,900 - -	17,441,293 5 9	—	182,393 5 9
ARMY (ORDNANCE FACTORIES)	100 - -	9,601 18 8	—	9,501 18 8
NAVY	14,150,000 - -	14,277,188 10 8	—	127,188 10 8
	31,409,000 - -	31,728,083 15 1	—	319,083 15 1
CIVIL SERVICES	17,500,708 17 6	17,340,913 5 2	159,795 12 4	—
REVENUE DEPARTMENTS, &c.	12,008,564 18 1	12,054,564 10 8	—	45,999 12 7
TOTAL £.	89,927,772 14 1	90,133,060 9 5	159,795 12 4	365,083 7 8
				159,795 12 4
The Exchequer Issues were less than the Audited Expenditure by £.				205,287 15 4

1891–92.

GENERAL ABSTRACT OF APPROPRIATION ACCOUNTS.

(After audit by the Comptroller and Auditor General, and Review by the Public Accounts Committee of the House of Commons.)

SERVICE.	Grant.	Expenditure.	Expenditure. Less than Grant.	Expenditure. More than Grant.	Appropriations-in-Aid Realised. More than Estimate.	Appropriations-in-Aid Realised. Less than Estimate.
	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
Army	17,545,300 – –	17,441,293 5 9	104,006 14 3	—	93,785 16 6	—
Army (Ordnance Factories)	100 – –	9,601 18 8	—	9,501 18 8	116,524 11 1	—
Navy	14,215,100 – –	*14,277,188 10 8	—	*62,088 10 8	—	101,002 4 4
TOTAL, NAVAL AND MILITARY SERVICES £.	31,760,500 – –	31,728,083 15 1	104,006 14 3	71,590 9 4	210,310 7 7	101,002 4 4
Civil Services:						
Class I.	2,114,947 – –	1,913,676 1 3	201,270 18 9	—		
„ II.	2,299,671 – –	2,234,968 13 10	64,702 6 2	—		
„ III.	4,395,977 – –	4,294,195 17 8	103,598 16 3	1,817 13 11		
„ IV.	7,055,665 – –	6,961,495 13 6	94,169 6 6	—		
„ V.	701,320 – –	682,233 17 8	19,086 2 4	—		
„ VI.	736,124 – –	724,106 5 –	12,017 15 –	—		
„ VII.	564,879 – –	530,236 16 3	34,642 3 9	—		
TOTAL, CIVIL SERVICES £.	17,868,583 – –	17,340,913 5 2	529,487 8 9	1,817 13 11		
Revenue Departments:						
Customs	909,806 – –	897,165 2 9	12,640 17 3	—		
Inland Revenue	1,794,024 – –	1,790,853 9 5	3,170 10 7	—		
Post Office	6,174,932 – –	6,158,453 3 9	16,478 16 3	—		
Post Office Telegraph Service	2,513,080 – –	2,507,012 2 11	6,067 17 1	—		
Post Office Packet Service	708,055 – –	701,080 11 10	6,974 8 2	—		
TOTAL, REVENUE DEPARTMENTS £.	12,099,897 – –	12,054,564 10 8	45,332 9 4	—		
TOTAL FOR VOTED SERVICES £.	61,728,980 – –	61,123,561 10 11	678,826 12 4	73,408 3 3		

	Estimated Expenditure.		Less than Estimate.	More than Estimate.
Consolidated Fund:	£. s. d.		£. s. d.	£. s. d.
Permanent Charge of Debt	25,000,000 – –	25,000,000 – –	—	—
Interest, &c., not forming part of the Permanent Charge	200,000 – –	200,000 – –	—	—
Naval Defence Fund	1,430,000 – –	1,428,571 8 6	1,428 11 6	—
Other Consolidated Fund Services	2,565,000 – –	2,380,927 10 –	184,072 10 –	—
TOTAL OF CONSOLIDATED FUND SERVICES £.	29,195,000 – –	29,009,498 18 6	185,501 1 6	—
GRAND TOTAL OF EXPENDITURE £.		90,133,060 9 5		

* After deducting a net sum of 860*l.* 12*s.* 4*d.* received from the Naval Defence Account (*see* Report of Comptroller and Auditor-General on Navy Appropriation Accounts, 1891–2, page 154.)

The amounts written off from EXCHEQUER GRANT ACCOUNTS and Paid to the EXCHEQUER, in respect of SAVINGS on VOTES and APPROPRIATIONS-IN-AID realised in excess of Estimate, for the Year 1891–92, amounted to 678,826*l.* 12*s.* 4*d.*

	In the Financial Year 1892–93.	In the Financial Year 1893–94.
	£. s. d.	£. s. d.
Written off from Exchequer Grant Accounts out of Ways and Means of 1891–92	256,404 16 6	—
Ditto ditto ditto 1892–93	419,224 3 8	—
Ditto ditto ditto 1893–94	—	– 7 9
Paid to the Exchequer by the Paymaster General	2,696 15 7	500 8 10
£.	678,325 15 9	500 16 7

£. 678,826. 12. 4.

CIVIL SERVICES.
1891–92.

ABSTRACT STATEMENT showing the APPROPRIATION of GRANTS for the undermentioned CIVIL SERVICES, after Audit by the Comptroller and Auditor General and Review by the Public Accounts Committee of the House of Commons, for the Year ended 31st March 1892; and the Amounts of the UNEXPENDED BALANCES or DEFICIENCIES arising upon the same.

Number of Vote.	SERVICE.	Reference to detailed Account in Parliamentary Paper, No. 66 of 1893.	Grant.	Expenditure.	Expenditure. Less than Grant.	Expenditure. More than Grant.
	CLASS I.					
	PUBLIC WORKS AND BUILDINGS.		£. s. d.	£. s. d.	£. s. d.	£. s. d.
	Great Britain.					
1	Royal Palaces and Marlborough House	3	36,710 – –	36,472 2 1	237 17 11	—
2	Royal Parks and Pleasure Gardens	8	94,904 – –	94,826 3 8	77 16 4	—
3	Houses of Parliament Buildings	13	39,360 – –	39,012 18 10	347 1 2	—
4	Admiralty: Extension of Buildings	17	50,000 – –	9,787 5 10	40,212 14 2	—
5	Miscellaneous Legal Buildings, Great Britain	18	64,346 – –	55,304 11 11	9,041 8 1	—
6	Art and Science Buildings, Great Britain	23	34,961 – –	34,832 13 6	128 6 6	—
7	Diplomatic and Consular Buildings	29	50,758 – –	46,889 – 1	3,868 19 11	—
8	Revenue Department Buildings, Great Britain	35	357,350 – –	354,773 4 4	2,576 15 8	—
9	Public Buildings, Great Britain	56	177,450 – –	176,739 – 10	710 19 2	—
10	Surveys of the United Kingdom	66	215,770 – –	215,753 13 7	16 6 5	—
11	Harbours, Lighthouses, &c. under Board of Trade (*Net*)	72	24,596 – –	19,507 3 7	5,088 16 5	—
12	Peterhead Harbour	75	30,040 – –	29,821 3 –	218 17 –	—
13	Caledonian Canal	77	5,000 – –	5,000 – –	—	—
14	Rates on Government Property (*Net*)	79	240,173 – –	221,179 15 5	18,993 4 7	—
	Ireland.					
15	Public Works and Buildings	81	235,000 – –	231,843 – 9	3,156 19 3	—
16	Railways	89	458,529 – –	341,934 3 10	116,594 16 2	—
	TOTAL £.		2,114,947 – –	1,913,676 1 3	201,270 18 9	—
	CLASS II.					
	SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.					
	England.					
1	House of Lords' Offices	95	42,719 – –	41,614 2 3	1,104 17 9	—
2	House of Commons' Offices	98	49,592 – –	48,295 1 9	1,296 18 3	—
3	Treasury and Subordinate Departments	101	92,394 – –	90,956 4 11	1,437 15 1	—
4	Home Office	105	96,385 – –	93,515 5 10	2,869 14 2	—
5	Foreign Office	110	71,015 – –	70,524 3 7	490 16 5	—
6	Colonial Office	112	42,382 – –	41,496 7 11	885 12 1	—
7	Privy Council Office	114	16,509 – –	16,126 – 11	382 19 1	—
8	Board of Trade (*Net*)	116	166,213 – –	159,808 10 9	6,404 9 3	—
9	Bankruptcy Department of the Board of Trade (*Net*)	120	14 – –	—	14 – –	—
10	Board of Agriculture (*Net*)	126	48,173 – –	44,948 5 9	3,224 14 3	—
11	Charity Commission	129	39,867 – –	37,175 13 5	2,691 6 7	—
12	Civil Service Commission	131	41,441 – –	40,592 2 6	848 17 6	—
13	Exchequer and Audit Department (*Net*)	133	57,291 – –	55,628 4 2	1,662 15 10	—
14	Friendly Societies' Registry	135	7,972 – –	7,433 13 5	538 6 7	—
15	Local Government Board	137	166,704 – –	160,907 5 4	5,796 14 8	—
16	Lunacy Commission (*Net*)	143	13,944 – –	13,278 19 5	665 – 7	—
17	Mercantile Marine Fund (Grant-in-Aid)	145	40,000 – –	40,000 – –	—	—
18	Mint (including Coinage)	166	73,686 – –	73,131 11 2	554 8 10	—
19	National Debt Office (*Net*)	169	14,031 – –	13,942 11 7	88 8 5	—
20	Public Works Loan Commission	171	9,749 – –	9,382 7 9	366 12 3	—
21	Record Office	173	21,532 – –	19,954 18 2	1,577 1 10	—
22	Registrar General's Office	175	164,530 – –	151,944 18 –	12,585 2 –	—
23	Stationery and Printing	178	549,005 – –	547,732 15 8	1,272 4 4	—
24	Office of Woods, Forests, and Land Revenues, &c.	182	23,624 – –	22,108 4 8	1,515 15 4	—
25	Office of Works and Public Buildings	184	51,174 – –	51,005 18 11	168 1 1	—
26	Secret Service	188	35,000 – –	31,713 10 5	3,286 9 7	—
	Scotland.					
27	Office of the Secretary for Scotland	189	11,706 – –	11,101 4 7	604 15 5	—
28	Fishery Board	191	22,469 – –	21,474 6 7	994 13 5	—
29	Lunacy Commission (*Net*)	194	5,932 – –	5,819 11 4	112 8 8	—
30	Registrar General's Office	196	34,222 – –	30,160 15 6	4,061 4 6	—
31	Board of Supervision	198	9,846 – –	9,006 14 6	839 5 6	—
	Carried forward £.		2,019,121 – –	1,960,779 10 9	58,351 9 3	—

ABSTRACT STATEMENT showing the Appropriation of Grants, &c. for the Year ended 31st March 1892—*continued.*

Number of Vote.	SERVICE.	Reference to detailed Account in Parliamentary Paper, No. 36 of 1893.	Grant.	Expenditure.	Expenditure. Less than Grant.	Expenditure. More than Grant.
	CLASS II.—*continued.* SALARIES AND EXPENSES OF CIVIL DEPARTMENTS—*continued.*		£. s. d.	£. s. d.	£. s. d.	£. s. d.
	Brought forward		2,019,121 – –	1,960,779 10 9	58,341 9 3	—
	Ireland.					
32	Household of the Lord Lieutenant	200	4,764 – –	4,715 – 9	48 19 3	—
33	Chief Secretary's Office	202	40,793 – –	39,681 7 6	1,111 12 6	—
34	Charitable Donations and Bequests Office (*Net*)	205	2,196 – –	1,932 12 3	263 7 9	—
35	Local Government Board (*Net*)	207	133,912 – –	132,748 3 6	1,163 16 6	—
36	Public Record Office	210	5,859 – –	5,530 8 1	328 11 11	—
37	Public Works Office (*Net*)	212	36,284 – –	35,488 16 1	795 3 11	—
38	Registrar General's Office	221	32,433 – –	29,925 17 6	2,507 2 6	—
39	Valuation and Boundary Survey	224	24,309 – –	24,166 17 5	142 2 7	—
	TOTAL £.		2,299,671 – –	2,234,968 13 10	64,702 6 2	—
	CLASS III. LAW AND JUSTICE. *England.*					
1	Law Charges (*Net*)	233	68,283 – –	67,313 7 11	969 12 1	—
2	Miscellaneous Legal Expenses	239	55,553 – –	54,986 16 1	566 3 11	—
3	Supreme Court of Judicature	242	386,681 – –	380,750 11 4	5,930 8 8	—
4	Land Registry	250	3,568 – –	3,495 2 10	72 17 2	—
5	County Courts	252	431,100 – –	432,917 13 11	—	1,817 13 11
6	Police Courts, London and Sheerness	255	19,147 – –	19,109 15 9	37 4 3	—
7	Police, England and Wales	260	55,586 – –	48,882 – 7	6,703 19 5	—
8	Prisons, England and the Colonies	268	638,490 – –	614,817 11 8	23,672 8 4	—
9	Reformatory and Industrial Schools, Great Britain (*Net*)	273	295,894 – –	286,437 4 2	9,456 15 10	—
10	Broadmoor Criminal Lunatic Asylum	277	33,866 – –	33,535 9 8	330 10 4	—
	Scotland.					
11	Law Charges and Courts of Law	282	122,133 – –	122,074 10 7	58 9 5	—
12	Register House, Edinburgh	289	37,354 – –	35,704 11 2	1,649 8 10	—
13	Crofters' Commission	292	9,070 – –	8,825 3 10	244 16 2	—
14	Prisons	294	92,700 – –	92,570 2 6	129 17 6	—
	Ireland.					
15	Law Charges and Criminal Prosecutions	302	77,621 – –	71,976 14 4	5,644 5 8	—
16	Supreme Court of Judicature, &c.	305	117,132 – –	116,850 15 10	281 4 2	—
17	Irish Land Commission (*Net*)	310	98,182 – –	91,826 8 1	6,355 11 11	—
18	County Court Officers, &c.	313	119,686 – –	112,895 7 7	6,790 12 5	—
19	Dublin Metropolitan Police (*Net*)	316	98,084 – –	91,998 6 3	6,085 13 9	—
20	Constabulary (*Net*)	319	1,382,700 – –	1,362,348 – 5	20,351 19 7	—
21	Prisons	323	133,121 – –	128,214 5 1	4,906 14 11	—
22	Reformatory and Industrial Schools	332	113,010 – –	110,451 2 11	2,558 17 1	—
23	Dundrum Criminal Lunatic Asylum	334	7,016 – –	6,214 15 2	801 4 10	—
	TOTAL £.		4,395,977 – –	4,294,195 17 8	103,598 16 3	1,817 13 11
	CLASS IV. EDUCATION, SCIENCE AND ART. *England.*					
1	Public Education, England and Wales	343	4,725,357 – –	4,657,600 17 10	67,756 2 2	—
2	Science and Art Department (United Kingdom)	348	530,986 – –	530,588 15 9	397 4 3	—
3	British Museum (*Net*)	361	155,000 – –	154,987 1 5	12 18 7	—
4	National Gallery	366	14,387 – –	14,290 11 8	96 8 4	—
5	National Portrait Gallery	369	2,219 – –	2,092 12 3	126 7 9	—
6	Scientific Investigations, &c. (United Kingdom)	371	25,796 – –	25,779 6 11	16 13 1	—
7	Universities and Colleges, Great Britain	374	71,000 – –	71,000 – –	—	—
8	London University	375	15,305 – –	15,174 19 10	130 – 2	—
	Scotland.					
9	Public Education	378	637,067 – –	634,585 6 10	2,481 13 2	—
10	National Gallery, &c.	383	3,750 – –	3,750 – –	—	—
	Ireland.					
11	Public Education (*Net*)	385	866,539 – –	843,755 2 2	22,783 17 10	—
12	Endowed Schools Commissioners	396	730 – –	628 1 3	101 18 9	—
13	National Gallery	398	2,501 – –	2,254 7 7	246 12 5	—
14	Queen's Colleges (*Net*)	400	5,028 – –	5,008 10 –	19 10 –	—
	TOTAL £.		7,055,665 – –	6,961,495 13 6	94,169 6 6	—

ABSTRACT STATEMENT showing the Appropriation of Grants, &c., for the Year ending 31st March 1892—*continued.*

Number of Vote.	SERVICE.	Reference to detailed Account in Parliamentary Paper, No. 66 of 1893.	Grant.	Expenditure.	Expenditure. Less than Grant.	Expenditure. More than Grant.
	CLASS V.		£. s. d.	£. s. d.	£. s. d.	£. s. d.
	FOREIGN AND COLONIAL SERVICES.					
1	Diplomatic and Consular Services (*Net*)	407	435,497 – –	424,120 18 1	11,376 1 11	—
2	Slave Trade Services	438	6,480 – –	1,258 10 11	5,221 9 1	—
3	Colonial Services (including South Africa)	440	171,226 – –	168,738 2 7	2,487 17 5	—
4	Cyprus, Grant-in-Aid	468	10,000 – –	10,000 – –	—	—
5	Subsidies to Telegraph Companies (*Net*)	476	57,400 – –	57,400 – –	—	—
6	Mombasa and Victoria Nyanza Railways (Surveys)	478	20,000 – –	20,000 – –	—	—
7	Treasury Chest	479	717 – –	716 6 1	– 13 11	—
	TOTAL £.		701,320 – –	682,233 17 8	19,086 2 4	—
	CLASS VI.					
	NON-EFFECTIVE AND CHARITABLE SERVICES.					
1	Superannuation and Retired Allowances	483	490,216 – –	480,828 1 4	9,387 18 8	—
2	Merchant Seamen's Fund, Pensions	496	12,600 – –	11,550 3 3	1,049 16 9	—
3	Friendly Societies Deficiency	497	9,647 – –	9,646 12 3	– 7 9	—
4	Miscellaneous Charitable and other Allowances, Great Britain	499	2,100 – –	2,008 19 4	91 – 8	—
5	Pauper Lunatics, Ireland	501	113,114 – –	111,654 16 4	1,459 3 8	—
6	Hospitals and Charities, Ireland (*Net*)	503	18,447 – –	18,417 12 6	29 7 6	—
7	Teachers' Pension Fund, Ireland	505	90,000 – –	90,000 – –	—	—
	TOTAL £.		736,124 – –	724,106 5 –	12,017 15 –	—
	CLASS VII.					
	MISCELLANEOUS.					
1	Temporary Commissions	509	28,809 – –	27,806 15 6	1,002 4 6	—
2	Miscellaneous Expenses (*Net*)	518	3,103 – –	2,919 11 3	183 8 9	—
3	Pleuro-Pneumonia	521	160,000 – –	160,000 – –	—	—
4	Repayments to the Civil Contingencies Fund	523	481 – –	480 – 3	– 19 9	—
5	Highlands and Islands of Scotland (Public Works and Communications)	524	47,000 – –	20,355 4 10	26,644 15 2	—
6	Local Taxation Relief, Scotland	526	110,000 – –	110,000 – –	—	—
7	Relief of Distress, Ireland	527	190,486 – –	183,675 4 5	6,810 15 7	—
8	Foot and Mouth Disease	529	15,000 – –	15,000 – –	—	—
9	Chicago Exhibition	531	10,000 – –	10,000 – –	—	—
	TOTAL £.		564,879 – –	530,236 16 3	34,642 3 9	—

APPENDIX, No. 2.

PAPER handed in by Mr. *E. W. Hamilton*, C.B., 16 March 1894.

(14,695—93.)

TREASURY MINUTE on the SECOND REPORT of the PUBLIC ACCOUNTS COMMITTEE, 1893, relating to ARMY and NAVY ACCOUNTS for 1891–92.

24 November 1893.

MY Lords read the Second Report of the Public Accounts Committee, 1893, relating to the Army and Navy Accounts for the year ending 31st March 1892, and give the following directions thereon,—having before them, at the same time, the First Report of the Committee dealing with certain excesses on Votes for the year.

I.—WRITE TO THE FINANCIAL SECRETARY, WAR OFFICE.

Sir,

The Lords Commissioners of Her Majesty's Treasury direct me to transmit to you, for the information of Mr. Secretary Campbell-Bannerman, the enclosed copy of paragraphs 1 to 40 of the Second Report of the Public Accounts Committee, 1893, respecting the Army Accounts for 1891–92, together with the following observations thereon :—

ARMY APPROPRIATION ACCOUNT, 1891–92.

Paragraph 1.—*Indian Home Effective Charges.*

7492–93. My Lords record that, by their letter of 23rd May last, they agreed that the Capitation of 7*l.* 10*s.* recommended by Lord Northbrook's late Commission for the two preceding years should be accepted for 1892–93, leaving the rate for the current year to be settled after further experience.

13,255–93. Nothing has yet been determined as to the constitution of any fresh commission of inquiry into the subject.

Paragraphs 2–3.—*Mauritius Military Contribution.*

12,678–93. 14,579–93. Their Lordships hope that the contribution for 1894 will not be less than 30,000*l.*, if the Colony cannot afford the full 45,000*l.* recommended by the Colonial Military Contributions Committee.

Paragraphs 4–6.—*Supply of Medicines to the Army.*

The Secretary of State will note the suggestion of the Public Accounts Committee that, before the expiration of existing contracts next year, it should be considered whether an extension of the system of competing tenders should not be tried for England and the Colonies, and whether the system of competition might not be applied to Ireland.

Paragraph 7.—*Yeomanry Cavalry.*

14,647–92. 7944–92. My Lords would renew the inquiry made in their letter of 5th November 1892 (paragraph 28) whether the reorganization of this force will entail any alterations in paragraph 3 of the Yeomanry Regulations.

Paragraphs 8–9.—*Inspection and Proof of Stores.*

The Treasury concur with the Committee in hoping that the Balance Sheets of the Inspection Department may be appended to the Army Appropriation Account, if no serious cost or labour be involved.

Paragraph 10.—*Brennan Torpedo Factory.*

3528–93. In like manner, my Lords would be glad to learn that a Balance Sheet of this Factory could be published in a form which would not disclose any particulars that ought to be kept secret.

Paragraphs 11–12.—*Modification in Form of Production Voucher of the Ordnance Factories.*

It will be observed that the Committee do not oppose a further trial of the system of making small supplies, through Vote 9, to Colonies and Contractors, at prices fixed beforehand on Estimates, on the understanding that the results are carefully watched. My Lords concur.

Paragraph 13.—*Classification of Repairs costing* 1,000*l. and upwards.*

The headings of the Army Works Estimate for 1893–94 provide for the classification of these repairs with new works of similar magnitude.

Paragraphs 14–19.—*Irregular Expenditure on certain Works.*

In discussing the first of the two items here referred to, viz., the expenditure of 1,477*l.* on a Store House at Woolwich Arsenal, the Committee advert to the importance of the financial regulations of the War Department being prepared in concert with the Treasury, a precaution the adoption of which would, in this particular case, have prevented the misapprehension out of which the irregular expenditure arose. My Lords will be happy to afford the assistance of the Treasury Officers of Accounts for this purpose, whenever the Secretary of State may desire it.

The second item of irregular expenditure, viz., that of 600*l.* on railing at Devonport, is justly characterised by the Committee as serious, not so much from its own nature as from the manner in which the War Department tried to defend it.

My

My Lords agree, however, that after the notice taken by the Committee of this expenditure, covering sanction may now be given for its charge against Vote 10, and they sanction the same accordingly.

Reference is made by the Committee to the possible expediency of modifying Rule VII. of the Treasury Minute of 24th November 1870 ; but the objections to the rule have not yet assumed a sufficiently definite shape for consideration.

Paragraph 19.—*Surplus on the Army Appropriation Account.*

Directions were given by Treasury Minute of 23rd March last for the surrender of the net surplus of 104,006*l.* 14*s.* 3*d.* shown on the Army Account for 1891–92, by writes off of 468*l.* 17*s.* 1*d.* from Army Votes for 1891–92, and 103,537*l.* 17*s.* 2*d.* from Army Votes for 1892–93. 4988–93.

ORDNANCE FACTORIES APPROPRIATION ACCOUNT, 1891-92.

The net deficit of 9,501*l.* 18*s.* 8*d.*, shown on the corrected account for 1891–92, as well as the excess of 36,722*l.* 8*s.* 10*d.* on the account of the previous year, have been sanctioned by Parliament as recommended by the Public Accounts Committee in Paragraphs 2–4 of their First Report, of which a copy is enclosed. A nominal vote of 100*l.* was taken for each year, and issued, leaving the balances to be met out of the surpluses of other years in the case of 1891–92, and out of the excess of appropriations in aid in the case of 1890-91.

Paragraphs 20–22.—*Credit of Semi-Manufactures to Appropriations in Aid.*

My Lords join with the Committee in hoping that the keeping of Cost Ledgers in the central office, or other arrangements, will prevent the recurrence of such an irregularity as the inclusion in the appropriation account of the values of transfers of materials that took place subsequently to the close of the year of account.

Their Lordships are prepared to join with the War Department, and if desired with the Admiralty, and perhaps the Audit Office also, in an inquiry as to the sufficiency of the present safeguards upon the transfer of materials from Store to Factory for debit to "Orders," to insure their being made to meet proper requirements for the fulfilment of orders given by the customers charged, and not merely for financing purposes.

Materials in the Director-General's charge are treated as common stock, and cannot in that shape be finally charged to customers ; but as soon as materials are technically transferred from Store to Factory for future use in manufacture—and such transfers may be simply book transactions involving no physical movement of the materials — they are regarded as semi-manufactures, and are debited to particular customers, as final charges, with the result that the appropriations in aid of the Ordnance Factories Vote are automatically increased. Herein lies the possibility of making such transfers serve for the adjustment of the vote account.

As stated by the Accountant General of the Army, Q. 716, the present practice is that whenever stock is found to exceed certain limits, a transfer of the excess is made to semi-manufactures, whether or not labour has been expended on the materials by the factory ; and, as explained by the Director-General, Q. 1012–18, whether or not they can be earmarked to particular orders —it being assumed that the excess must be due to orders in hand. If materials cannot be earmarked to particular orders, doubt seems thrown on the accuracy of their allocation to particular customers. Moreover, the excess of stock may occasionally have been caused by very large purchases, surpassing the amount of orders actually in hand, and even be due to error of judgment in buying. Therefore the mere existence of an excess can hardly be held to justify a transfer. Again, the orders in hand may be for large quantities, intended to be supplied gradually in the course of one year or more, as funds become available for paying for them. In such a case it might be unfair to the customer to bring the whole of the requisite materials into charge against him at once, he having no voice in the matter.

What the limitations to such transfers should be are not altogether obvious, and my Lords consider that the subject is well deserving of careful investigation, if the Secretary of State still holds that transfers of this kind at the close of the year cannot be dispensed with.

ORDNANCE FACTORIES ACCOUNTS, 1891–92.

Paragraph 23.—*General Remarks.*

In connection with the observations of the Public Accounts Committee upon the importance of the work of the Departmental Committee of Inquiry into the Ordnance Factories Accounts, my Lords record that they have concurred in the appointment of the gentleman who has acted for the last three years as Secretary to the latter Committee, to be examiner and supervisor of these Accounts, with a view to their concentration and preparation on uniform lines. It has been found possible, through the retirement of the late Accountant and Auditor of the Manufacturing Departments, to combine the above appointment with the creation of a New Ledger Branch for Ordnance Stores at Woolwich, and to effect a considerable saving in annual expenditure. 112,117–93. 11,487–93.

Paragraph 24.—*Royal Laboratory.—Piece-work Rates.*

My Lords would observe that the payment of piecework prices direct to the workmen on fixed schedules, and the independent system of worktaking, are examples of administrative reforms that are due to the able criticism which the Comptroller and Auditor-General has brought to bear on the Factories Accounts.

Paragraph 25.—*Independent Stocktaking.*

The Secretary of State is already aware of the importance which my Lords, in common with the Committee, attach to this test.

Paragraph 26.—*Comparison of Factory Costs with Contractors' Prices.*

The Committee were not informed of the objection, recently communicated to this Department, which the Secretary of State entertains to the publication of the results of this comparison. My Lords have expressed to the Comptroller and Auditor General their hope that he will, nevertheless, make the comparison as regards such articles as he may select during the current year, and will report to Parliament that he has done so, and whether the results appear to him satisfactory or otherwise, but that he must withhold particulars in deference to the wishes of the War Office. An opportunity will then be given to the Public Accounts Committee of considering whether the objections to publication outweigh the advantages to be derived from it. 9403–93. 10,441–93.

STORE ACCOUNTS OF THE ARMY.

Paragraphs 27–30.—*Losses of Stores in South Africa.*

The Committee remark upon the evidence afforded by Major Richards' case, of the need of better organization of the Stores Department ; and my Lords are glad to know that this subject has been engaging for some time the serious consideration of the Secretary of State.

Their Lordships hope that, as suggested by the Committee, whenever a net deficiency of stores is submitted for write-off, the gross surpluses and gross deficiencie of which it is the difference, may be stated at the same time, in sufficient detail to enable this Department to judge of the propriety of setting off the one against the other.

10,699–93. In the particular case of Major Richards, my Lords now sanction the write-off of the net deficit of 456*l.* 0*s.* 2*d.* found upon his Store Accounts in Natal, in 1890, being the difference between gross surpluses of 7,381*l.* 8*s.* 8*d.*, and gross deficiencies of 7,837*l.* 8*s.* 10*d.*

Paragraph 31.—*Clothing Frauds at Malta.*

4195–93. My Lords record that the value of the stores stolen, amounting to 3,850*l.* 9*s.* 6*d.*, has been written off under the authority given by Treasury letter of 20th March 1893.

Paragraph 32.—*Vocabulary of Stores.*

The Secretary of State may now be able to say when the revision of this vocabulary will be completed.

Paragraph 33.—*Deficiencies of Stores at Woolwich.*

My Lords are anxious to learn the method by which the Secretary of State proposes to effect the further subdivision of the charge of stores to which the Committee refer.

IMPERIAL DEFENCE ACT, 1888 (PORTS AND COALING STATIONS), ACCOUNT FOR 1891–92.

Paragraphs 34–36.—*Limitations on Expenditure.*

1348–93. The Committee correctly describe the arrangement concluded with the War Department by the Treasury letter of 31st January 1893. My Lords need hardly say that they will be pleased to find, when the subject is brought before them again in January 1894, that the loan account can be closed at an earlier date than the 31st March 1895.

BARRACKS ACT, 1890, ACCOUNT FOR 1891–92.

Paragraphs 37–39.—*Difficulty of distinguishing proper Charges.*

9165–93. This difficulty is well illustrated by the letter from the War Department of 7th June 1893, in which the Secretary of State proposed to transfer to the barracks loan account the cost of demolishing certain barrack buildings in Dublin which had been already charged to, and passed in the account for 1890–91 of, the Imperial Defence Loan. My Lords were unable to sanction this step for the reasons given in their letter of 20th June last.

The Committee agree with the Treasury that the only way of avoiding hopeless confusion between charges on Army Votes and the different Military Loans, respectively, is to frame careful programmes of charge beforehand, with Treasury concurrence, and adhere to them strictly. My Lords may refer to the remarks on this point made

6739–93. in their letter of 27th May last, respecting the acquisition of a training ground near Fermoy.

1731–92. The compensation of 400*l.* referred to in paragraph 37 was charged to Head II. of the Barracks Loan, as proposed by the War Office, after demur by this Department, because it was represented that extensive services commenced under the Works Vote, and subsequently included in the barrack reconstruction scheme, had been taken up, and continued under the Barracks Act, 1890. My Lords understood that the drainage of Richmond Barracks, Dublin, in connexion with which the compensation was paid, was such a service.

MILITARY FORCES LOCALIZATION ACT, 1872, ACCOUNT FOR 1891–92.

Paragraph 40.—*Date of closing the Account.*

8420–93. My Lords were sorry to learn from the War Office letter of May 1893 that it is unlikely that all of the balance of this loan will be expended by the 31st March next. They have agreed that, if necessary, the account may remain open for 1894–95.

I am, &c.

II.—WRITE TO THE SECRETARY TO THE ADMIRALTY.

Sir,

The Lords Commissioners of Her Majesty's Treasury direct me to transmit to you, for the information of the Lords Commissioners of the Admiralty, the enclosed copy of paragraphs 41 to 82 of the Second Report of the Public Accounts Committee, 1893, relating to the Navy Accounts for 1891–92, together with the following observations thereon :—

NAVY APPROPRIATION ACCOUNT, 1891–92.

Paragraph 41.—*Explanations of Variations between Estimate and Result.*

My Lords are glad to think that fuller explanation of these variations will be given in future.

Paragraphs 42–43.—*Indian Subsidy for Her Majesty's Ships in Indian Waters.*

The Committee state that public interests urgently demand a speedy settlement of this controversy. For three years, 1891–92 to 1893–94, the estimated receipt on the basis of which the Navy Estimates have been framed, has exceeded the payment offered by India by over 130 per cent. The result in the first of these years, as pointed out by the Committee in paragraphs 5–6 of their First Report, of which a copy is enclosed, was to cause a serious deficit. In both of the following years there must be grave risk of a like consequence.

12,919–93. The India Office and the Imperial Government have not been able to agree upon the terms of reference to an arbitrator, and in default of a decision binding upon both Governments, my Lords consider that an error has been undoubtedly committed in estimating for a contribution which India is not prepared to pay.

Paragraphs 44–45.—*Australasian Contribution.*

6851 7485–93. Although the collection of the first tenth ought, according to the letter of the Imperial Defence Act, 1888, to have taken place in the last quarter of 1890–91, but was necessarily postponed until the following year, my Lords, as was represented in their letters of 26th April and 9th May last, do not admit that the payments need be a whole twelvemonth in arrear throughout the decennial period. If due notice, and an explanation of their statutory liabilities, be given to the contributing Colonies, my Lords believe that the average arrear might be reduced to a few months.

Paragraph 46.—*Payments for Propelling Auxiliary Machinery.*

My Lords will be glad to learn the effect of the new scheme of instalments in equalising the monthly payments throughout the year.

Paragraphs 47–49.—*Overtime at Dockyards.*

Their Lordships would inquire whether the fresh regulations, dealing with overtime amongst other subjects, have yet been prepared.

Paragraph 50.—*Responsibility for Test and Inspection of Naval Guns and other Warlike Stores.*

Owing to the acceptance by the Admiralty for reasons of economy and convenience of the agency of the War Office for these services, the Committee seem to doubt whether the former Department has undertaken that direct responsibility for the complete administration of the Naval Armaments Vote which the Exchequer and Audit Departments Act intended the Accounting Department to possess. My Lords see no ground for this apprehension; but they will be interested in learning the result of the consideration of the question by the Financial Secretary to the Admiralty.

Paragraphs 51-52.—*Credit shown under a Debit Sub-head.*

The question here raised has an important bearing on the practice of one Naval Vote selling stores to another for money, and my Lords may be pardoned for discussing it in a certain degree of detail. The justification for charging the vote that receives the stores with their value, and crediting that value to a debit sub-head of the vote that supplies the stores, is that the latter vote is assumed to need the money within the year to which it is appropriated, for replacing the stores, or else to have spent the money for the immediate purpose of the transfer, and to require its repayment within the year. To withhold payment in such circumstances would upset the estimate of the Selling Vote, and would burthen it with part of the cost of a service for which Parliament had, at least implicitly, provided in the Buying Vote. But if this assumption be groundless, and the one Vote does not really need to replace, or recover the value of, the stores which the other Vote takes from it, either no cash payment at all ought to be made for the stores, and the transaction should be simply recorded by note on the accounts, or the cash payment should be credited to Appropriations-in-Aid, not to a Debit sub-head.

It will be seen, therefore, that the conditions justifying a cash payment by the Buying Vote to a debit sub-head of the Selling Vote can only occur when the payment, and any requisite correction of it, take place in one and the same year as the original transfer of the stores. My Lords will use the particular case now in point as an illustration.

Vote 9 (Armaments) bought goods from Vote 8 II. (Dockyard Materials) in 1889–90 and 1890–91, and paid full value for them, with a view to their replacement in the years of transfer. In 1891-92, the year following the completion of the work for which the stores had been wanted, certain of them, which Vote 9 was found not to require, were returned to Vote 8 II., and the latter Vote was made to repay their value to Vote 9.

But Vote 9 for 1891-92 had no title to the use of this money in addition to the provision made for it by Parliament, because it did not require to replace the stores, and no money had been spent out of it in their original purchase. If the return of the stores to Vote 8 II. saved the purchase of other stores out of that Vote it was justifiable to charge Vote 8 II. with the value; but in that case the payment should have been credited to appropriations in aid of Vote 9, so as not to supplement the total parliamentary provision.

Their Lordships consider that the value of stores *returned* from one Vote to another in a year subsequent to that of their supply, should be carried to the credit of the vote returning them as an Appropriation-in-Aid. Further, as it is understood that there would be great difficulty in ascertaining the year in which the returned stores had been supplied, when the service extends over more than one year, and that the amount affected would be small, their Lordships are of opinion that the value of all stores *returned* by one vote to another, without regard to the year of supply, should be treated as an Appropriation-in-Aid.

My Lords agree with the argument in the Comptroller and Auditor-General's letter of 28th March last which attributes the error of the Admiralty to a failure to appreciate the effect of the appropriation of Votes to the exclusive service of each particular year. Page 125 of Appendix to Sec Report.

The Committee refer to what may be called a subsidiary error in the present case, viz., the crediting Sub-head E. E. of Vote 9 with a net receipt only, so as to exclude a certain amount of expenditure from the accounts. This mistake, however, might have been avoided by recording the gross expenditure and receipts in an inner column, if the credit had been right in principle.

Paragraph 53.—*Claims abandoned in connection with H.M.S. Sphinx.*

My Lords have nothing to add to the remarks made on this subject in the Treasury letter of 10th October 1892. 15,071-92.

Net Deficit on Navy Votes.

The amount, as corrected by the expenditure under the Naval Defence Act, 1889, viz., 62,088*l.* 10*s.* 8*d.*, was voted by Parliament in March last, as recommended by the Public Accounts Committee in paragraph 6 of their First Report.

The difference between that amount and the net deficit of 62,949*l.* 3*s.* shown on the appropriation account, viz., 860*l.* 12*s.* 4*d.*, has been recovered from savings in previous years on the Dockyard Shipbuilding Fund, as requested in Treasury letter of 28th March last (of which a copy is given in Appendix A.). 4977-93.

My Lords record that their approval of the temporary appropriation of the surpluses on certain Navy Votes for 1891-92, towards meeting the deficits on other Navy Votes for the same year was signified by Treasury letter of 15th September 1893 (of which a copy is given in Appendix B.). 13,922-93.

Imperial Defence Act, 1888 (Naval Section) Account, 1891-92.

Paragraph 54.—*Australasian Agreement.*

By their letter of 13th September 1893, my Lords authorised the employment of writers for the special work of apportioning expenditure for armaments to the several vessels of the Australasian Squadron. 12,238-93.

Store Accounts of the Navy, 1891-92.

Paragraphs 55–57.—*Comparison of Issue of Materials for New Construction with Expenditure from Vote 8 II. and Stocks.*

The issue was less than the estimate, although the expenditure from the Vote exceeded the provision, and the value of stocks of naval stores showed a diminution at the close of the year. This apparent inconsistency is explained by the fact that the estimate of materials to be issued was far in excess of the amount that could be covered by expenditure from the Vote, or by reduction of stock, the intention being to meet this excess by obtaining an advance under Section 3 (3) of the Naval Defence Act, 1889. The Treasury, however, could not sanction this advance because the expenditure from the Vote fell short of the maximum allowed by the Act, and hence it arose that, although the issues of materials were less than the estimate, they exceeded the means available for making good their cost.

Paragraph 58.—*Independent Test Verification of Stock.*

My Lords need hardly say that they fully concur in the importance attached by the Committee to this test.

Paragraph 59.—*Tampering with Vouchers for the Issue of Thermometers.*

My Lords cannot understand the object of altering the vouchers in this case if it was not to support an over-issue of stores, which over-issue is stated not to have taken place. Nothing but experience can show whether the checks against such an abuse that have been introduced by the Admiralty are efficacious.

Paragraphs 60–61.—*Foreign Yards, Detailed Examination of Store Ledgers.*

7954–92. 13,271–92. 9547–92. 15,032–92. 16,847–92. 14,565–93.

My Lords have recently sanctioned improvements in the storehouse staff of the Cape of Good Hope Yard, as well as of the yards of Malta, Esquimalt, Bermuda, and Sydney, which it is hoped will prevent the recurrence of the irregularities mentioned by the Committee. They refer to Treasury Letters of 25th May 1892 (Cape), 11th February 1893 (Malta), 15th June 1892 (Esquimalt), 12th October 1892 (Bermuda), and 23rd November 1892 (Sydney).

Similar improvements at Hong Kong were sanctioned by Treasury Letter of 19th October 1893.

Store Accounts, Victualling Yards, 1891–92.

Paragraph 62.—*Increase in Value of Victualling and Clothing Stocks.*

This increase seems to be satisfactorily explained.

Naval Ordnance Store Accounts, 1891–92.

Paragraph 63.—*Stocktaking.*

My Lords will be glad to learn that the Admiralty have been able to arrange for an independent stocktaking of these stores, from head-quarters.

Paragraphs 64–65.—*Valuation of Stock at close of Year.*

Their Lordships would ask whether the new Army Vocabulary of Stores has yet been completed and brought into use.

Dockyard Expense and Manufacturing Accounts, 1891–92.

Paragraph 66.—*Comparison of Quantity and Value Ledgers.*

Satisfactory progress seems to have been made with the institution of these test comparisons.

5944–93.

Paragraphs 67–68.—*Over-Payments for Iron Caulking at Portsmouth.*

It will be seen that the Committee hold that the Treasury were justified in giving covering sanction to the charge of these payments to Navy Votes. My Lords hope that the precautions now adopted will prevent the repetition of such mistakes.

Paragraph 69.—*Materials.*

The Admiralty expect to be able to reduce the number of store notes passed under date of 31st March, and to hasten the sending forward of the notes for audit; but my Lords do not know what particular measures are proposed for attaining the end in view.

Paragraphs 70–71.—*Conversion Accounts.*

Attention is drawn by the Committee to the failure of the means hitherto adopted for checking the variations between different yards in the quantities written off as loss by defects. The matter is important, as involving risk of serious waste; and my Lords will be anxious to learn the result of the independent inspection of the record books which is to be adopted in future.

19,586–92.

Paragraph 72.—*Foreign Yard Accounts.*

My Lords may note that by letter of 3rd January last the Treasury sanctioned the appointment of the requisite officers to take charge of the expense accounts at Hong Kong and Bermuda.

Naval Defence Act, 1889; Accounts, 1891–92.

Paragraphs 73–74.—*Short Expenditure on Armaments.*

My Lords are not surprised at this expenditure being less in the earlier years of the statutory quinquennial period than in the later years. All that Parliament requires is that it should be completed by the prescribed date.

56 & 57 Vict. c. 45. 12,954–93.

Paragraphs 75–76.—*Expenditure before 1st April 1889.*

The Naval Defence Act, 1893, provides for the regularisation of this expenditure as part of that duly incurred under the Naval Defence Act, 1889.

Paragraph 77.—*Excess on the Dockyard Shipbuilding Fund.*

A provision for augmenting this fund by 1,350,000*l.* is included in the above-mentioned Act of last Session, and will enable the Treasury to sanction excesses on the Estimates for individual ships, provided the total fund be not exceeded.

Paragraph 78.—*Distinction of Charge between the Statutory Funds and Normal Votes.*

The main difficulty appears to be to determine whether certain charges belong to the first cost of a ship, and are therefore payable from one of the statutory funds, or are repairs, or alterations, or maintenance, and are, as such, payable from normal Votes. Whatever rules are adopted, there will sometimes be charges which give rise to dispute; but my Lords can suggest no better dividing line than the date of the certificate that the ship is in all respects complete for sea, as laid down in the Admiralty directions of 30th April 1892.

Paragraphs 79–80.—*Omission to Charge for Army Inspection of Warlike Stores.*

Section 6 (1) of 52 Vict. c. 8.

My Lords think that the question of making good this omission or not should have been brought before the Treasury as soon as attention was called to it by the Comptroller and Auditor General in December 1892. There is force in the Admiralty contention that the cost of this inspection is analogous to the establishment and incidental charges to which Naval Defence Act moneys may not be applied; and coupling this consideration with the fact that so large a part of the statutory period of expenditure has elapsed, my Lords do not think it expedient to alter the present practice.

Paragraphs 81–82.—*Provision of Reserves of Torpedoes and Ammunition.*

The omission of these reserves in the case of contract vessels is sanctioned by Section 3 of the Act already mentioned.

I am, &c.

III.—Write to the Comptroller and Auditor General.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for your information, the enclosed copy of their Minute of to-day's date on the Second Report of the Public Accounts Committee, 1893, relating to Army and Navy Accounts for 1891–92.

I am, &c.

APPENDIX A.

Adjustment between the Navy Appropriation and Naval Defence Accounts for 1891–92.

(4977–93.)

Sir,

Treasury Chambers, 28 March 1893.

Adverting to paragraph 24 of the Report of the Comptroller and Auditor General on the Navy Appropriation Account for 1891–92, in which the corrected net deficit on Navy Votes for that year is shown, after the requisite adjustments with the Naval Defence Account, and adverting to the fact that the figures given by the Comptroller and Auditor General in that paragraph have been accepted by the Lords Commissioners of the Admiralty as correct in the Excess Statement for the Navy, 1891–92, presented by them to Parliament, and on which an Excess Vote has recently been taken, the Lords Commissioners of Her Majesty's Treasury direct me to say, for the information of the Board of Admiralty, that it will be convenient if the adjustments in question are effected by the end of the current month.

	£.	s.	d.
The amount due from the Naval Defence Account to Navy Services, on account of expenditure in excess of the statutory provision of 2,650,000*l.* for dockyard shipbuilding in 1891–92, is - - - - - - - -	87,103	–	–
On the other hand, the amount due from Navy Services to the Naval Defence Account for savings on the statutory provision of 600,000*l.* for armament of dockyard vessels in 1891–92, is - - - - - - -	86,242	7	8
Leaving a net sum due to Navy Services from the Naval Defence Account of - - - - - - - - - - - - - - - - - -	£. 860	12	4

As my Lords have already imprested on the Board of Admiralty a sufficient amount of the savings standing to the credit of the Dockyard Shipbuilding Fund, in the Naval Defence Account, up to the 31st March 1891, they need not make this payment of 860*l.* 12*s.* 4*d.* from that account. But, in order to complete the adjustment, their Lordships request you to move the Board to cause the same to be forthwith transferred from those savings to Naval Services.

I am, &c.
(signed) *R. E. Welby.*

The Secretary to the Admiralty.

APPENDIX B.

Appropriation of Surpluses to meet Deficits on Navy Votes, 1891–92.

(13,922–93.)

Sir,

Treasury Chambers, 15 September 1893.

The Lords Commissioners of Her Majesty's Treasury advert to their letter of the 31st December last (19,624–92) upon the Navy Appropriation Account, 1891–92.

My Lords have now seen the Naval Defence Account for that year, as reported upon by the Comptroller and Auditor General, which has been passed in review by the Public Accounts Committee.

They gather from that account and from the report that, after abating a sum of 45*l.*, which is admitted to have been overcharged against the New Programme Dockyard Shipbuilding, the expenditure on that service under the three sections of the Vote 8 amounted to 2,545,214*l.*, and further that the net sum applicable to the purpose was 2,458,111*l.*, showing an excess of expenditure over provision in the Vote of 87,103*l.*

The result is that the Naval Defence Account has to repay to Navy Votes out of the savings of previous years the above sum of 87,103*l.*

My Lords gather further that the amount applicable to expenditure on the armaments of dockyard vessels was 600,000*l.*, and that the expenditure thereon amounted to 513,757*l.* 12*s.* 4*d.*, leaving a net saving payable to the Naval Defence Account of 86,242*l.* 7*s.* 8*d.*

That saving cannot be found on Vote 9 itself, but if it be deducted from the sum of 87,103*l.* due from the Naval Defence Account to Vote 8, a sum of 860*l.* 12*s.* 4*d.* remains due from the account to Navy Votes, 1891–92.

Under these circumstances my Lords, in exercise of the powers given to them by Section 4 of the Appropriation Act, 1891, give the following authorities :—

Excesses of Appropriations in Aid realised.

My Lords sanction the temporary application in relief of the charge on Exchequer grants of the following sums by which the Appropriations in Aid of certain Navy Votes for 1891–92 exceeded the Estimate, viz. :—

		£.	s.	d.
Vote 4.	Martial Law - - - - - - - - - - -	15	10	11
„ 5.	Educational Services - - - - - - - - -	798	4	3
„ 7.	R.N. Reserves - - - - - - - - - -	33	6	5
„ 8 (2)	Matériel - - - - - - - - - - -	18,873	4	11
„ 9.	Naval Armaments - - - - - - - - - -	38,365	19	6
„ 10.	Works, &c. - - - - - - - - - -	6,456	12	1
„ 12.	Admiralty Office - - - - - - - - - -	38	17	6
	Total - - -	£. 64,581	15	7

Application of Surpluses to meet Deficits.

My Lords also authorise the temporary application of the surpluses on certain Navy Votes, amounting according to the Appropriation Account, to 304,235*l.* 18*s.* 3*d.*, to meet the following deficits on other Navy Votes for the year 1891-92, including "Irrecoverable Balances," viz. :—

			£.	*s.*	*d.*
Vote	1.	Wages, &c.	25,025	1	7
"	2.	Victualling, &c.	50,947	8	7
"	3.	Medical Establishments	7,603	4	-
"	7.	R.N. Reserves	7,623	12	4
"	8. (1)	Shipbuilding (Personnel)	21,380	15	–
"	8. (2)	Matériel	178,093	4	4
"	11.	Miscellaneous Effective Services	39,731	14	9
"	13.	Half-Pay, &c.	732	6	4
"	14.	Naval and Marine Pensions	21,985	12	1
"	16.	Australasian Force	10,360	–	–
		Irrecoverable Balances	3,702	2	3
		TOTAL	£. 367,185	1	3

I am, &c.
(signed) *R. E. Welby.*

The Secretary, Admiralty.

APPENDIX, No. 3.

PAPER handed in by Mr. *E. W. Hamilton*, C.B., 16 March 1894.

TREASURY MINUTE on First and Third Reports.

(CIVIL AND MISCELLANEOUS ACCOUNTS.)

(15,955—93.)

Treasury Chambers, Whitehall,
6 December 1893.

1. My Lords read the First and Third Reports of the Committee of Public Accounts, 1893, referring to the Appropriation Accounts of Civil and Miscellaneous Services for 1891–92.

GENERAL.

2. The Committee, in the first 24 paragraphs of their Third Report, deal with what they describe as certain important questions respecting the application of the Order in Council of the 15th August 1890. The first of these questions affects the extent of the Order in Council, and arises from the fact that certain Public Departments, whose services are provided for in the Civil Service Estimates, have declined to admit the Order in Council as binding upon the members of their staff. Such Departments may conveniently be grouped under three main heads :—

(1.) Houses of Parliament.
(2.) Legal Departments.
(3.) Diplomatic and Consular.

(1.) HOUSES OF PARLIAMENT.

3. Write to the Clerk of the Parliaments.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith a copy of paragraphs 8, 9, 14, 15 and 16 of the Third Report of the Public Accounts Committee of 1893, referring to the claim of the officers of the House of Lords to be exempt from the operation of the Order in Council of the 15th August 1890, which regulates the conditions of employment of permanent Officers in the Civil Service.

I am to suggest that the attention of the authorities charged with the regulation of the Offices of the House of Lords should be specially drawn to the observations of the Committee of Public Accounts contained in paragraph 16 of the Report.

I am, Sir,
Your obedient Servant,

4. Write to the Speaker, House of Commons.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to submit to you the enclosed copy of paragraphs 10 to 16 of the Third Report of the Public Accounts Committee of 1893, referring to the claim of the Officers of the House of Commons to be exempt from the operation of the Order in Council of the 15th August 1890, which regulates the conditions of employment of permanent officers in the Civil Service.

My Lords do not doubt that the observations of the Committee in paragraph 16 of the Report will receive the most careful consideration of the Commissioners for regulating the offices of the House of Commons.

I have the honour to be, Sir,
Your obedient Servant,

(2.) LEGAL DEPARTMENTS.

5. Write to the Lord Chancellor.

My Lord,

I am directed by the Lords Commissioners of Her Majesty's Treasury to advert to the question, already under your Lordship's consideration, of the application of the Order in Council, dated the 15th August 1890, to officers of legal establishments ; and I am to transmit herewith a copy of paragraphs 17, 18, 19 and 20 of the Third Report of the Committee of Public Accounts, 1893, which bear upon this subject.

My Lords are aware that an attempt was made in the Session of this year to obtain the legislation necessary for this purpose by means of the Supreme Court of Judicature Bill. That Bill, however, could not be proceeded with ; and my Lords can only hope that the next attempt to deal with this question will be more successful. In the meanwhile I am to ask whether it might not be possible to make all new appointments conditional on an undertaking by the appointee to submit himself to any rules affecting tenure of office or conditions of employment, which may be hereafter made applicable to his Department.

I am, my Lord,
Your Lordship's obedient Servant,

6.—Write to the Queen's and Lord Treasurer's Remembrancer.

Sir,

With reference to Treasury letter (16,045/91) of the 16th December 1891, upon the question of the application of the Order in Council, dated the 15th August 1890, to officers of the Administrative Departments of the Courts of Session and Justiciary, I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed copy of paragraphs 17, 18, 19 and 20 of the Third Report of the Public Accounts Committee, 1893, together with a copy of a letter of even date herewith which my Lords are causing to be addressed to the Lord Chancellor on the subject. You will gather from these documents the present position of this question.

I am, Sir,
Your obedient Servant,

7. Write to the Accountant-General, Four Courts, Dublin.

Sir,

With reference to correspondence of 1892, upon the question of the application of the Order in Council, dated the 15th August 1890, to officers of the Supreme Court of Judicature in Ireland and of the Court of Bankruptcy, I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed copy of paragraphs 17, 18, 19 and 20 of the Third Report of the Public Accounts Committee, 1893, together with a copy of a letter of even date herewith, which my Lords are causing to be addressed to the Lord Chancellor on the subject. You will gather from these documents the present position of this question.

I am, Sir,
Your obedient Servant,

8. Write to the Chief Secretary for Ireland.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith a copy of paragraph 20 of the Third Report of the Public Accounts Committee of 1893, respecting the *status* of the Dublin Police Magistrates; and I am to request you to inform His Excellency the Lord Lieutenant that my Lords gather from the terms of Sir William Kaye's letter to the magistrates, dated 3rd February 1892, that it has been noted in your office that all future appointments to these posts will be made upon terms which do not conflict with the provisions of the Order in Council of the 15th August 1890, the instrument of appointment being modified accordingly. I am to ask whether this conclusion is correct.

Appropriation Accounts, p. 218.

I am, Sir,
Your obedient Servant,

(3.) DIPLOMATIC AND CONSULAR.

9. Write to the Under Secretary of State, Foreign Office.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to request you to lay before the Secretary of State for Foreign Affairs the enclosed copy of paragraphs 21 and 22 of the Third Report of the Committee of Public Accounts, 1893.

Those paragraphs deal with the question of the applicability of the Order in Council of the 15th August 1890 to the Diplomatic and Consular services respectively. It is obvious that the greater part of the Order is intended to meet the circumstances of ordinary clerical establishments, such as are not to be found in those services. Lord Rosebery will observe that the Committee appear to consider that the Diplomatic Service should not be brought under the operation of that Order; while as regards the Consular Service they anticipate a special Order in Council following upon a Departmental Committee representing the Foreign Office and this Department.

The Secretary of State is aware that the appointment of such a Committee in respect of the Consular Service is under consideration; and as regards the Diplomatic Service my Lords need only observe that any assimilation between that corps and the Foreign Office staff, such as was recommended by the Royal Commission on Civil Establishments, would inevitably raise the question of how far differences in the Regulations affecting the age for compulsory retirement and the pension-scale of the two branches of the Service could be permitted to exist.

I am, Sir,
Your obedient Servant,

10. Paragraphs 23 and 24 of the Third Report refer to the individual cases in which the Treasury has sanctioned the continued employment, after the age of 70 years, of officers to whom it is not disputed that the Order in Council of 15th August 1890 applies. My Lords are glad to observe that the Committee do not take exception to the discretion exercised by the Treasury in order to overcome the difficulties of a transitional period. As regards the future, the Committee trust that the anticipation that the recurrence of such cases is improbable will be justified by the action of the Treasury. My Lords fully share the view of the Committee upon this point, and think it practically certain, as well as undoubtedly required by law, that, after the close of the period of transition, no officer exceeding 70 years of age will be retained upon the establishment of a Department or even engaged upon ordinary official work. It should, however, be remembered that cases may occur, as at the British Museum, in which the public interest will demand that the special artistic knowledge of an officer should be retained after the date at which under the Order in Council he must retire. If that should happen an arrangement must be made whereby a retaining fee will be paid to him not as an administrative, but as an advising or consulting officer.

11. In this connection my Lords may refer to paragraph 52 of the Third Report which deals with cases in which special gratuities, in addition to the regular pensions, have been awarded to certain Civil servants retiring under the Order in Council of 15th August 1890. The irregularity of such awards is admitted on all hands; but the Committee do not question the considerations of good faith and equity which in the view of the Treasury necessitated the grant of the special gratuities. While my Lords cannot say that no case will ever recur in which, for one reason or another the Government of the day may think it right that some addition should be made to the statutory pension, they conceive that such cases would, in the future, be extremely rare; and they desire here to record their opinion, already expressed on other occasions, that special services should, if calling for special reward, be dealt with at the time, and not left over for consideration in connection with the award of a pension. As a further safeguard against such extra rewards, they think it desirable that, at least in the case of Civil Departments, no special gratuity should be paid in connection with the retirement of an officer, until explicit provision has been made for it in the Estimates, and the money has been voted by Parliament. This practice they have adopted already in several cases.

12. The

EXCESS.

12. The excess of 1,817*l.* 13*s.* 11*d.* upon the County Courts Vote was explained in paragraph 1 of the Committee's First Report, and the amount was duly voted in Committee of Supply on the 20th March last.

Class I.

13. My Lords note that the Committee approve of the form now adopted for statements of expenditure on new works.

Vote 9.—PUBLIC BUILDINGS, GREAT BRITAIN.

14. Write to the First Commissioner of Works.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, for your information, the enclosed copy of paragraph 26 of the Third Report of the Public Accounts Committee, 1893.

The Committee appear to accept your explanation of the oversight in regard to the liability of the Royal Academy for maintenance of the gateway, &c., of Burlington House; and they note Mr. Primrose's assurance that this was a solitary instance of the kind.

I am, Sir,
Your obedient Servant,

Vote 10.—SURVEYS OF THE UNITED KINGDOM.

15. Write to the Secretary, Board of Agriculture.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to invite the attention of the Board of Agriculture to Questions 2387 to 2390 of the evidence before the Public Accounts Committee of this Session (p. 27 of their Third Report), referring to the grant for Surveys of the United Kingdom, 1891–92.

The Board will observe that the Comptroller and Auditor General suggested that the store ledgers at Southampton should be made up daily and in detail, instead of being summarised quarterly and posted as at present, but the Director of the Survey objected on the score of additional labour and expense. The matter was referred to their Lordships' Officers of Accounts, with a view to devising some scheme which would be an improvement on the existing system, without entailing additional cost.

The result of the investigation is that my Lords do not think it advisable to press for a system of daily record, but they are of opinion that the ledger should be posted up at not less frequent intervals than once a month. My Lords trust that the Board of Agriculture will agree with them in this view and will instruct the Director accordingly.

I am, Sir,
Your obedient Servant,

Vote 11.—HARBOURS AND LIGHTHOUSES UNDER THE BOARD OF TRADE.

16. Write to the Secretary, Board of Trade.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to request you to call the attention of the Board of Trade to the evidence given by Mr. Ingram Walker before the Public Accounts Committee of 1893 respecting Sombrero Lighthouse, and in particular to his answer to Question 2394 to the effect that the Board of Trade hoped to submit to the Treasury, "in the course of the present summer," a scheme for the permanent settlement of the staff at that place.

No such scheme having as yet reached this Department, my Lords would express the hope that the matter will not be overlooked.

I am, Sir,
Your obedient Servant,

Class II.—Vote 15.—LOCAL GOVERNMENT BOARD.

17. Write to the Secretary, Local Government Board.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to advert to Mr. Knollys' letter of the 12th September 1891, and to the reply from this Department of the 18th December 1891, respecting the personal position of two district auditors as regards retirement under Clause 10 of the Order in Council of 15th August 1890. Appropriation Accounts, pp. 1 142.

I am to request you to inform the Local Government Board that this matter came before the Public Accounts Committee of 1893, who, in paragraph 27 of their Third Report, accept the view that, as these two officers hold their appointments during good behaviour, the rule of age retirement does not apply to them.

My Lords, however, would be glad to receive a distinct assurance that no future appointments will be made upon terms which conflict with the provisions of the Order in Council.

I am, Sir,
Your obedient Servant,

Vote 17.—MERCANTILE MARINE FUND.

18. Write to the Secretary, Board of Trade.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed copy of paragraphs 28 to 31 of the Third Report of the Public Accounts Committee, 1893.

I am to request you to inform the Board of Trade that my Lords have nothing to add to the remarks of the Committee upon the Mercantile Marine Fund; but they would express the hope that means may be found for amending the law as recommended by the Committee, whether in the Merchant Shipping Bill now before Parliament or at some other early opportunity.

I am, Sir,
Your obedient Servant,

Vote 23.—STATIONERY AND PRINTING.

19. Write to the Comptroller of the Stationery Office.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith a copy of paragraphs 32 to 36 of the Third Report of the Public Accounts Committee, 1893, on the subject of payments made by you to certain contractors, pending examination of their accounts, in excess of the amounts to which they were entitled under the terms of their contracts.

Upon this point my Lords have had under consideration your reports of the 8th and 16th June last, in which you ask for a general authority from this Board to make advances in excess of the amounts allowed by the contracts when this course might appear to be of advantage to the public. You suggested also that future contracts should not contain specific limitations of the amounts to which advances might be claimed.

Upon this I am to state that, in accordance with the view expressed by the Committee in paragraph 36, my Lords are hardly prepared to give you such wide discretion as that for which you ask; neither are they clear that the omission from the contracts of the undertaking to pay on account not more than five-sixths of the value of the work would be, on your own showing, advantageous to the public service.

. 2551.

Their Lordships accordingly, while giving covering sanction to payments already made in excess of the limit, must ask for some more precise definition of the conditions under which discretion might in future be allowed to you to make such payments. As regards future contracts, I am to request that in submitting revised forms you will draw their special attention to any change which you may propose affecting this point, and will discuss fully the advantages and disadvantages of such changes.

I am, Sir,
Your obedient Servant,

Vote 37.—PUBLIC WORKS OFFICE, IRELAND.

20. Upon this Vote the Comptroller and Auditor-General made some strictures upon the Store Accounts of the Board of Works. My Lords have to record that they referred this matter to their Officers of Accounts, who have, after local inquiry by one of them, reported upon it.

Their report has now been submitted to the Commissioners of Public Works, with a view to eliciting their opinion on the suggestions therein made.

Class III.—Vote I.—LAW CHARGES, ENGLAND.

21. Write to the Treasury Solicitor.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith a copy of paragraphs 37 and 38 of the Third Report of the Public Accounts Committee, 1893.

The question discussed in those paragraphs, as to the necessity of gazetting into Schedule B. of the Order in Council of 4th June 1870 the personal employés of yourself and other officers similarly circumstanced, is one with which it is the duty of this Board to deal. My Lords have considered it accordingly in the light of the observations of the Committee, and I am to enclose, for your information, a copy of a letter which they are causing to be addressed to the Civil Service Commissioners on the subject.

I am, Sir,
Your obedient Servant,

Write to the Civil Service Commissioners.

My Lord and Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to forward, for your information, a copy of paragraphs 37 and 38 of the Third Report of the Public Accounts Committee, 1893.

I am, My Lord and Sir,
Your obedient Servant,

Vote 9.—REFORMATORY AND INDUSTRIAL SCHOOLS, GREAT BRITAIN.

22. Write to the Under Secretary of State, Home Office.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed copy of paragraph 39 of the Third Report of the Public Accounts Committee of 1893, respecting the Vote for Reformatories and Industrial Schools, Great Britain.

The Secretary of State will doubtless welcome, as a protection to the State and to his own officers, the closer watch which the Comptroller and Auditor General proposes to keep upon the parental contributions, which are now appropriated in aid of this Vote.

I am, Sir,
Your obedient Servant,

Class IV.—Vote 1.—PUBLIC EDUCATION, ENGLAND AND WALES.

23. Write to the Secretary, Education Department.

Sir,

I am directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith a copy of paragraph 40 of the Third Report of the Public Accounts Committee, 1893.

At the same time I am to request you to submit to the Lords of the Committee of Privy Council for Education (but not for publication) the enclosed copy of the opinion of the Law Officers of the Crown upon the case, forwarded by you on the 17th July last, as to the manner in which the ninepenny rule of fee contained in Section 3 of the Elementary Education Act, 1870, is affected by the Elementary Education Act, 1891, in regard to schools accepting the Fee Grant.

You will observe that the Law Officers are of opinion that the Fee Grant is not to be added to the fees payable by or in respect of each scholar in order to determine whether the ninepenny limit has been exceeded. The effect of this opinion is, theoretically, that a school might be in receipt of:

(1.) Grants under the Education Code.

(2.) The Fee Grant of 10*s.* per child in average attendance.

(3.) Ninepence per week from each scholar.

(4.) Income from rates, endowments, or subscriptions.

My Lords apprehend that such resources would suffice to supply teaching much above what would be expected from a Public Elementary School. They believe, however, that in England and Wales it is not likely that any such case would arise; but they desire to call the attention of their Lordships of the Committee of Council to the point.

My

My Lords presume that the joint case (referred to by the Committee) as to the interpretation of the word "school" in the Elementary Education Act, 1891, has not yet been settled; but I am to ask what is the present position of the matter.

I am, Sir,
Your obedient Servant,

VOTE 2.—SCIENCE AND ART DEPARTMENT.

24. Write to the Secretary, Science and Art Department.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith a copy of paragraph 41 of the Third Report of the Public Accounts Committee, 1893, respecting the account of the Science and Art Department Vote for 1891-92.

The Lords of the Committee of Privy Council for Education, Science, and Art will observe that, in view of the statements made on behalf of this Department, the Committee do not press for the disallowance recommended by the Comptroller and Auditor General in respect of the salaries of certain Junior Assistants.

My Lords have read the evidence given to the Committee respecting articles purchased abroad under the necessary condition of prepayment, as to the delivery of which there may be doubt; and They have nothing to add to Sir Charles Ryan's statement on the point. Q. 2723-29.

I am, Sir,
Your obedient Servant,

VOTE 9.—PUBLIC EDUCATION, SCOTLAND.

25. Write to the Secretary, Scotch Education Department.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, to be laid before the Lords of the Committee of Privy Council for Education in Scotland, a copy of paragraphs 42 and 43 of the Third Report of the Public Accounts Committee, 1893.

Paragraph 42 deals with the question of the manner in which the ninepenny rule of fee is affected by the grant received in relief of fees, and I am now to enclose (but not for publication) a copy of the opinion of the English and Scotch Law Officers on the subject, the purport of which has already been communicated to you by Treasury letter (13,942) of the 20th September.

The effect of that opinion is that a school might be in receipt of—

(1.) Grants under the Education Code.

(2.) The grant in relief of fees, amounting to about 12*s.* per child in average attendance.

(3.) Ninepence per week for each scholar.

(4.) Income from rates, endowments, or subscriptions.

My Lords apprehend that such resources would suffice to supply teaching much above what would be usually understood by the term "Elementary Education;" and, as a preliminary to the consideration of the subject, I am to ask for an approximate statement of the number of schools affected by this opinion, and the number of scholars attending them; and also for an explanation how such schools can be distinguished from the system of secondary education, for which funds have been provided by Parliament out of the Local Taxation, Scotland, Account.

Paragraph 43 deals with cases in which there has been apparently a manipulation of accounts, so as to bring the schools within the ninepenny limit. I am to ask whether your Department will, as expected by the Committee, discountenance such a practice. There appears also in the same matter to be an open question as to the legal definition of "school"; and if this be so, I am to suggest that the opinion of the English and Scotch Law Officers should be obtained upon a case agreed with the Comptroller and Auditor General. Q. 3045-63.

I am, Sir,
Your obedient Servant,

VOTE 11.- PUBLIC EDUCATION, IRELAND.

26. Write to the Chief Secretary for Ireland.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you, to be laid before His Excellency the Lord Lieutenant, the enclosed copy of paragraphs 44 and 45 of the Third Report of the Public Accounts Committee, 1893, dealing with the Account of the Public Education, Ireland, Vote, 1891-92. At the same time his Excellency's attention might be called to Questions 2756 to 2780 of the evidence before that Committee, pages 53 to 56 of House of Commons' Paper 325 of 1893.

The Committee appear to Their Lordships to deal in very moderate terms with the manner in which the Commissioners of National Education have exercised the discretion allowed to them by the existing regulations in regard to fluctuations in the average attendance; and I am to express the hope that His Excellency, concurring in the view of this Board, will impress upon the Commissioners the importance of not straining such regulations except in very special circumstances.

It might be well that in such cases as those referred to by the Committee a formal Minute of the Commissioners should record the reasons for exceptional treatment, such Minute being made accessible to the Comptroller and Auditor General.

I am, Sir,
Your obedient Servant,

VOTE 14.—QUEEN'S COLLEGES, IRELAND.

27. Write to the Chief Secretary.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you to submit to His Excellency the Lord Lieutenant the enclosed copy of paragraphs 46 and 47 of the Third Report of the Public Accounts Committee, 1893, dealing with the question of the status of the Presidents and Professors of the Queen's Colleges.

His Excellency will observe that the Committee's Report was issued before the arrangement sanctioned by the Treasury Letter of the 28th September last (13,651–93), whereby the Irish Government will make it a condition of any future appointment that the person appointed shall retire on attaining 65 years of age, with an extension of not more than five years in any case in which the Treasury is satisfied that an earlier retirement would be detrimental to the interests of the public service.

I am, Sir,
Your obedient Servant,

CLASS V.—VOTE 1.—DIPLOMATIC AND CONSULAR SERVICES.

28. Write to the Under Secretary of State, Foreign Office.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to request you to submit to the Earl of Rosebery the enclosed copy of paragraphs 48 and 49 of the Third Report of the Public Accounts Committee, 1893, dealing with the accounts of the Diplomatic and Consular Services, 1891–92.

With regard to the question of the treatment of fees received in connection with the Seamen's Hospitals at Constantinople and Smyrna, referred to in paragraph 48, no communication has been received from the Board of Trade; and in the meanwhile the expenditure and receipts of these two institutions continue to be regarded as appertaining to Consular Services.

The question of the Consular fees at Blantyre has now been settled. Their Lordships having by letter of the 22nd June last, 9558–93, given covering sanction to the appropriation of the fees, &c., received up to 31st December last towards the erection of Judicial Buildings in the British Central Africa Protectorate on the condition (concurred in by the Secretary of State) that all such receipts collected subsequently to that date should be carried to the public account like Consular Fees.

Q. 2810–22. The Committee took evidence respecting two matters of account not referred to in their Report:

(*a.*) Whether the Accounts rendered by consular officers should include *ex officio* receipts and payments;

(*b.*) How far the check upon the use of fee stamps by consular officers can be made effective.

Upon these subjects my Lords have to observe that—

(*a.*) The first point is dealt with by Treasury letter (7070-93) of the 17th November; and

(*b.*) With respect to the second point the recommendations of an inter-departmental Committee which considered it have been approved by Treasury letter of the 26th June last, 7954–93, and have, my Lords hope, been now carried into effect by the Secretary of State.

I am, Sir,
Your obedient Servant,

VOTE 3.—COLONIAL SERVICES.

29. Write to the Under Secretary of State, Colonial Office.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith, to be laid before the Marquis of Ripon, the enclosed copy of paragraphs 50 and 51 of the Third Report of the Public Accounts Committee, 1893, which refer to the accounts of the Votes for Colonial Services and for Cyprus, 1891–92.

I am, Sir,
Your obedient Servant,

CLASS VI.—VOTE 1.—SUPERANNUATIONS AND RETIRED ALLOWANCES.

30. The various points raised by the Comptroller and Auditor General upon this account were dealt with in the evidence before the Committee; and my Lords have already referred to paragraph 52 of the Report in an earlier part of this Minute.

CLASS VII.—VOTE 7.—RELIEF OF DISTRESS, IRELAND.

31. The Comptroller and Auditor General suggested that some of the items on this account would more properly have been charged to the vote for Railways, Ireland, in Class I. This matter was discussed before the Committee, and my Lords need only say that the division between the two Votes was made on the basis of charging to the Railways Vote only such items as properly appertained to the services therein provided for, omitting all extra charges necessitated by distress operations. The distinction was doubtless hard to draw with precision, and depended in some cases on facts which could only be known to those actually engaged in the administration of the services.

REVENUE DEPARTMENTS.—VOTE 3.—POST OFFICE.

Vote 3. Write to the Postmaster General.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed copy of paragraphs 53 and 54 of the Third Report of the Public Accounts Committee, 1893, relating to the Post Office and Telegraphs Accounts of 1891–92.

My Lords are glad to be able to record the settlement of the question of appointments of Second Division Clerks to situations outside that division; and to add that the disallowance suggested by the Comptroller and Auditor General is no longer proposed.

Q. 3146.

I am, Sir,
Your obedient Servant,

WOODS, FORESTS, AND LAND REVENUES.

33. Write to the Commissioners of Woods.

Gentlemen,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you the enclosed copy of paragraphs 55 to 59 of the Third Report of the Public Accounts Committee, 1893, referring to the Accounts of your Department for 1891–92.

You will be glad to observe that the Committee accept the view expressed by Sir Nigel Kingscote as to the inexpediency of publishing annual accounts of the profit or loss on working farms in hand.

My Lords hope that you will not allow another year to go by without procuring a settlement of your claim upon the representatives of the late Mr. A. H. J. Newcomen.

I am, Gentlemen,
Your obedient Servant,

COPY TO COMPTROLLER AND AUDITOR GENERAL.

34. Write to the Comptroller and Auditor General.

Sir,

I AM directed by the Lords Commissioners of Her Majesty's Treasury to transmit to you herewith for your information a copy of their Minute on the First and Third Reports of the Public Accounts Committee, 1893 (Civil and Miscellaneous Accounts), together with copies of the legal opinions referred to in paragraphs 23 and 25 thereof.

I am, Sir,
Your obedient Servant,

FIRST REPORT

FROM THE

COMMITTEE

OF

PUBLIC ACCOUNTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
16 *March* 1894.

[*Price* 3½*d.*]

34. *Under* 4 *oz.*

SECOND

REPORT

FROM THE

COMMITTEE

OF

PUBLIC ACCOUNTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed.*
11 *July* 1894.

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215.

Committee of Public Accounts.

Ordered,—[*Tuesday*, 13*th March* 1894]:—That the Committee of Public Accounts do consist of Fifteen Members.

Committee nominated of—

Mr. Bartley.
Mr. Buchanan.
Sir John Gorst.
Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Jackson.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Arthur Williams.
Mr. Webb.
Mr. Wodehouse.

That the Committee have power to send for Persons, Papers, and Records.

That Five be the Quorum of the Committee.

Ordered,—[*Wednesday*, 21*st March* 1894]:—That Mr. Wodehouse be discharged from the Select Committee of Public Accounts.

That Mr. Cameron Corbett be added to the Committee.

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SECOND REPORT.

THE COMMITTEE of PUBLIC ACCOUNTS have made further progress in the Matters to them referred, and have agreed to the following SECOND REPORT:—

ARMY APPROPRIATION ACCOUNT, 1892-93.

INDIAN HOME EFFECTIVE CHARGES.

1. YOUR Committee have had under consideration the point noticed by their predecessors in 1893, regarding the delay in determining the capitation rate for each man on the Indian establishment (excluding deferred pay), which has been temporarily taken at 7*l.* 10*s.* This is again mentioned in the preliminary portion of the Comptroller and Auditor General's Report. Your Committee are informed that this rate has actually been determined as a *modus vivendi* between the War Office and the Treasury, though both authorities reserve their right of proposing future modification. This was recommended by Lord Northbrook's Committee. It seems important that the matter should be definitely settled. Q. 138. Q. 141.

VOTE 5.

GRATUITIES TO VOLUNTEERS INJURED BY RAILWAY ACCIDENT.

2. In paragraph 9 of his Report, the Comptroller and Auditor General remarks that a sum of 244*l.* 13*s.* was paid in gratuities to certain volunteers injured in a railway collision who had already received compensation from the railway company. The War Office hold that the men are entitled, under the regulations, to the gratuities, irrespective of any compensation obtained or obtainable otherwise; and this does indeed accord with the strict interpretation of the regulations. Your Committee however apprehend that to some extent in this case pecuniary reparation has been allowed twice over, that before granting gratuities in such cases the War Office should be informed of and take into consideration any compensation that may have been awarded from sources other than the State, and that the regulation should be modified with this view. Q. 157.

NEW DECORATIONS FOR VOLUNTEER OFFICERS.

3. From paragraph 24 of the Comptroller and Auditor General's Report, it is observed that a sum of 3,000*l.*, not included in the Estimates, has been expended for this purpose, and has been met out of savings (*see* page 67 Appropriation Account) on the same Vote, with Treasury sanction.

Your Committee have considered whether the Treasury was right in thus sanctioning the expenditure. It is to be remembered that in this case the urgency contemplated by the terms of the Appropriation Act, Section IV., is not strictly applicable, inasmuch as the savings are within the Vote, and the purpose is cognate to the service for which the Vote was intended. Q. 229.

Still, there might be a question whether it would not have been better to have presented this item in a Supplementary Estimate, as the particular service was new, and as there was time available.

Your Committee find, however, that the service, though unforeseen when the Estimate was prepared, was yet foreseen when the Vote was taken. For the intention of giving the decoration was explained to the House of Commons on 10th June 1892 (Parliamentary Debates, Vol. 5, Col. 782), when the Volunteer Vote was under discussion in Committee of Supply, and seemed to meet with general approval. Your Committee, therefore, consider that the course taken by the Treasury, if not the best possible, was justifiable under the circumstances.

VOTE 6.

Transport and Remounts.—Aden Defences Account.

Q. 271. 4. In accordance with the principle laid down by the Public Accounts Committee in 1890, the Comptroller and Auditor General declined to pass for allowance a charge to Army Votes of a sum of 3,344*l.* 13*s.* 4*d.* which had no other basis than a record of indebtedness to India in the War Office Ledger (*see* paragraph 10 of his Report).
Q. 275. This had reference to the freight of stores in connection with the Defences of Aden. The War Office, after making further explanations, has accepted the disallowance as operative against the Imperial Defence Loan Accounts to which the transaction actually relates, and the Comptroller and Auditor General concurs in this. Your Committee approve of the charge against the Vote being retained accordingly.

VOTE 7.

Rent of Rifle Range at Chipping, Lancaster.

Q. 307. 5. A payment of 300*l.* in respect of rent for one year has been included under (Sub-Head E.), Vote 7, for the rifle range at Chipping. This is noticed in paragraph 11 of the Comptroller and Auditor General's Report. The War Office had informed the Treasury that 1,600*l.* would be required for preparing the range. It subsequently
Q. 315. appeared that this sum would be greatly exceeded, amounting even to 3,200*l.* The Treasury was not aware of this when sanctioning the rent. When it came to their knowledge they remarked that the proposed term of lease, 21 years, would not be long enough, and suggested a term of 99 years, which is now being arranged. There was doubt as to whether the Treasury sanction had been given with a due knowledge of the facts, and therefore the Comptroller and Auditor General adverted to the matter. But now that the Treasury express themselves as satisfied he has nothing further to urge.
Q. 319. Your Committee regret, however, that a more complete and accurate estimate of the cost was not presented by the War Office to the Treasury at an earlier date.

VOTE 8.

"Casual Difference" inadequate as "Explanation."

Q. 337. 6. The Comptroller and Auditor General, in paragraph 12, notices what he regards as inadequate explanations from the War Office of the differences between estimated and actual receipts, especially with reference to the too frequent occurrence of the term "casual." The matter has been dealt with by the Treasury (*see* their letter of 30th December 1893). In one instance an excess appears to have been due, according to the War Office, to payments in one year for contracts not completed in the previous year, while no mention is made of increased purchases in order not to lose advantage of favourable prices, to which purchases the deficit had been ascribed in a Treasury Minute. Your Committee have impressed on the War Office the importance of explicitness in explanations, and the avoidance of merely general terms such as "casual."

VOTE 9.

Inspection and Proof of Stores.

Q. 370. 7. The Comptroller and Auditor General notices, in paragraph 13, that a Balance Sheet which he suggested should be appended to the Appropriation Account has not yet been furnished. Your Committee in 1893 impressed upon the War Office the necessity of early compliance with this requirement. There has been some delay in this matter. The Comptroller and Auditor General reported it to the Committee of Public Accounts
Q. 450. last year, and the Committee concurred. The Treasury issued a Minute accordingly, but the War Office still held the matter under consideration. Your Committee think that there should be no further delay in complying with the wishes of the Comptroller and Auditor General.

Brennan Torpedo Factory.

Q. 377. 8. Your Committee, recognising the expediency of an account being presented which shall afford to Parliament at least some general information, without disclosing information prejudicial to the public service, have asked the War Office that this may be done. They now learn that the Secretary of State for War has ordered the preparation
Q. 209. and submission of such an account. 9. The

Production Voucher.

9. The Comptroller and Auditor General, in paragraph 16, drew attention to defects in the system under which the cost of certain services was recovered. Your Committee now learn that arrangements for rectifying such defects have been set in operation. Q. 379.

Free Grant of Stores.

10. Your Committee observe * that Stores to the value of 3,520*l.* were given by the General Officer commanding at Malta, for the relief of sufferers by the earthquake at Zante. This of course had not been provided for in the Votes, but was sanctioned by the Treasury under what are held to be its prescriptive powers. Under these circumstances the Comptroller and Auditor General did not deem it necessary to raise objection. It is to be remarked that this case came to his knowledge through a note on the Appropriation Account inserted by the War Office. He states that it is not always possible for him to have a knowledge of the distribution of stores. At the same time even without the note he might have known of the matter, had he been charged with the examination of store accounts in absolute detail; but as a matter of fact his check upon the store accounts is a test examination of a very limited character. This consideration raises a separate question, inasmuch as the amount in value, though actually small, might conceivably have been much larger. Meanwhile your Committee consider that as the charge does not belong to the Army Votes, the proper course would have been to transfer it to the Civil Services, presenting a Supplementary Estimate for the amount. In justice, however, to the Treasury, it should be mentioned that, in their view, as it was unnecessary to replace these Stores, a Vote for them was unnecessary also; also that as the gift of them was made on the responsibility of Army officers exclusively, it seemed *primâ facie* more appropriate to leave the record of the transaction in the Army Account. Q. 390. Q. 415. Q. 427.

Appropriations in Aid, Proceeds of Sale of Old Stores.

11. The Comptroller and Auditor General, in paragraph 17 of his Report, draws attention to a succession of deficits. The last of these is inadequately explained by "the exhaustion of stocks of old material at Woolwich." Your Committee have pressed this matter on the attention of the War Office.

VOTE 10.

Ordnance Store Buildings, Weedon.

Capetown Main Barracks.

12. The Comptroller and Auditor General (paragraph 18) notices that a sum of 452*l.* 18*s.* 2*d.* was applied to arm racks at Weedon, out of monies provided for sheds. This was sanctioned by the Treasury on the obviously proper condition that the Committee of Supply in the House of Commons should be informed of the substitution before the Vote came up for discussion. It appears, however, that no note to this effect was either circulated or appended to the Estimates, nor was any verbal statement made. Your Committee find, on inquiry, that there was no valid reason for this omission, and the War Department has expressed its regret, as will be seen from Mr. Brodrick's letter in the Appendix. The Comptroller and Auditor General has not been able to report this sum for allowance. Your Committee consider that under the circumstances it should now be passed, but they consider that if a variation from a Vote, as originally presented, is proposed before the Vote is taken, a revise of that Vote should be submitted to Parliament. Appendix, No. 1. Q. 474–5.

13. The Comptroller and Auditor General (paragraph 20) noticed that a sum of 1,000*l.* for Cape Town Main Barracks was charged to the Reconstruction Loan Fund instead of to the Votes, and held that the classification should follow the Parliamentary Estimates. On further inquiry, however, your Committee find that both he and the Treasury are content that, under the exceptional circumstances, the charge shall remain against the loan. Your Committee are prepared to concur in this. Q. 464–5.

14. In

* *See* note on page 39 of the Appropriation Account.

Payments not made in the Financial Year.

14. In paragraph 19 the Comptroller and Auditor General refers to certain purchases of land wherein payment was made to the agents but not to the principals within the financial year; or in other words, where payment has been brought to account in the financial year 1892–93, although the title of the War Department was not completed and possession of the land was not obtained until after the end of the year.

Your Committee recognise the general rule to the effect that, in accounting for public expenditure, the date of an order for payment governs the date of charge. But they agree with the Comptroller and Auditor General in considering that this rule is not applicable when the order for payment, though drawn before the 31st March, has been issued not to the vendor or payee but to an agent of the Accounting Department, and has only reached the former on the maturity of his claim in the succeeding financial year.

The total of the payments involved amount together to the sum of 1,427*l.* 4*s.* 4*d.*, which not having properly come in course of payment within the year 1892–93, cannot, in the opinion of the Comptroller and Auditor General, be reported for allowance in the accounts for that year.

Q. 550–552.

Your Committee consider that the amount must accordingly be disallowed.

Payments to Office of Woods.

15. The Comptroller and Auditor General notices in paragraph 21 of his Report some exchanges of land between the War Office and certain railway companies. Your Committee observe that there are no official means whereby transactions relating to exchanges of land are required to be brought under the cognisance of Parliament, unless some expenditure of money is involved, and that the security afforded by authoritative sanction rests only with the Treasury. Your Committee, however, think it desirable that the Treasury should consider whether some means could be devised for bringing transactions of this nature periodically before Parliament.

Q 571–2.

VOTE 15.

Pension Frauds.

16. The Comptroller and Auditor General in paragraph 23 draws attention to certain Pension Frauds in New South Wales. These cases have been dealt with by the Colonial Government. Your Committee observe that the War Office, with a view to prevention in future, overhaul a certain portion of the Pension Lists every year by making the most detailed inquiries.

Q. 623.

VALUATION OF RESERVE STORES.

17. Your Committee observe that the Comptroller and Auditor General reports that a test of limited character has been applied with satisfactory results.

STORE ACCOUNTS OF THE ARMY.

Regimental Equipment Accounts.

Q. 650.

18. In paragraph 4 of the Comptroller and Auditor General's Report he observes that, in reference to the unexpended value of stores in regimental equipment accounts, further facilities are needed for satisfactory examination. Your Committee learn that this matter is under the consideration of the War Office but will not be concluded this year.

19. The

19. The Comptroller and Auditor General, in paragraph 5, adverts to serviceable articles of equipment being prematurely returned into store. Your Committee find that there were faults in this respect on the part of individual officers, but that some improvements in system have been introduced to prevent a recurrence of such errors. Your Committee have impressed upon the War Office the necessity of watchfulnessin these particulars. Q. 677. Q. 682.

Stores Issued on Repayment.

20. In paragraph 6 the Comptroller and Auditor General states an objection against the average price of different classes of stores disposed of in the aggregate, being adopted as a basis for charging for stores of one description only. Your Committee learn that the War Office have satisfactorily met this objection. Q. 687.

Transfer of Stores to Admiralty.

21. In reference to paragraph 7 of the Comptroller and Auditor General's Report, your Committee observe that the Admiralty obtained from the War Office serviceable stores at a value fixed very much below the nominal price. It appears that these stores were useless to the department selling, and were bought by the other department at a very low price, one-tenth of the originally assumed value, although they turned out afterwards to be capable of being utilised as good stores. This involves a question regarding the valuation of these stores in the Receiving Department, to which point your Committee will advert further on. Q. 700.

Stock-taking.

22. The Comptroller and Auditor General reports (paragraph 8), that during 1892 stock has been taken at Woolwich by the officers approved by the Treasury. This approval, however, is general only, and not personal, the stock-taking being undertaken by the War Office. The question as to whether there should be a stock-taking independent of the War Office itself is a different matter, which your Committee will report upon subsequently. Q. 722.

MILITARY FORCES LOCALIZATION.

23. This Account does not require any remark from your Committee. Q. 772.

BARRACKS ACT, 1890.

24. The Comptroller and Auditor General, in paragraph 5, doubted whether a small sum of 139*l.* 15*s.* 7*d.* should not be transferred to the Army Vote. But under the explanation offered by the War Office he thinks it may remain in this Loan Account. Q. 779–780.

IMPERIAL DEFENCE ACT, 1888.

Ports and Coaling Stations.

25. Your Committee observe that there is a disallowance of 566*l.* in reference to the Aden Defences, that the War Office accepts this disallowance, and that there is now an agreement between them and the Comptroller and Auditor General on the item. Q. 784.

ARMY (ORDNANCE FACTORIES) APPROPRIATION ACCOUNT.

26. Your Committee observe that on the total account for 1892–93, there was an excess expenditure of 101,000*l.* But this irregularity has been covered by an excess Vote.

Q. 802.

27. In his paragraph 4 the Comptroller and Auditor General adverts to an excess of 13,587*l.* 15*s.* over the anticipated expenditure upon machinery. It is clear that the Treasury sanction was needed. Your Committee learn that this will be obtained in future; and the presentation of an Excess Vote to Parliament, which had the approval of the Treasury and covers this transaction, has rectified the irregularity for the present.

Q. 804–7.

Q. 808.

CHELSEA HOSPITAL.

28. In paragraph 5 the Comptroller and Auditor General observes that as the Hospital Commissioners have augmented revenue from rents of a portion of the Gordon House property, and applied it in additional bounties to the in-pensioners, there might be a question whether a corresponding reduction should not be made in the provision of pay for these pensioners now inserted in Army Vote 15. Your Committee learn in reference to this that the penny which the Commissioners received from the public was held to be inadequate, and that therefore a penny was added from the private funds of the hospital. But your Committee consider that the right of the Commissioners to appropriate any part of the corpus or capital at their disposal is a matter for further consideration next year.

Q. 2016.

29. Your Committee observe that the Commissioners have a capital of 79,000*l.*, mainly prize money, to which additions have been made from rent and other sources, and that no withdrawals excepting rent money have been made.

Q. 2043–45.

ARMY (CLOTHING FACTORY) MANUFACTURING ACCOUNTS.

30. In paragraph 3, the Comptroller and Auditor General draws attention to a store surplus being set off against a factory deficiency (Pimlico). It appears that in balancing the number of garments which had passed through the repairing and altering room of the factory in the three years ended the 31st March 1893, it was found that out of 171,000 new and part worn great-coats, 264 could not be traced as either in hand, or as having been acknowledged as received back by the store on completion of the work required. The store stocktaking in July 1892 showed a surplus of 125 great-coats. This surplus, however, still left a net deficiency, which represents a loss of 139 great-coats. These surplus great-coats were set off against the deficiency, and the remainder were charged against the factory balance sheet.

Q. 2059.

Your Committee observe that this explanation is not satisfactory, as it implies a defective check.

ARMY ORDNANCE FACTORIES (MANUFACTURING ACCOUNTS).

31. In the first three paragraphs of his Report the Comptroller and Auditor General states, in reference to the system of the Manufacturing Accounts, that several important matters still await the decision of the Departmental Committee, the financial records being meanwhile unsatisfactory; that there are certain items of imperfect accounting still left uncorrected; that no definite advance towards a settlement has been made, and that consequently, in certain cases, he has no means of ascertaining that articles paid for in the various stages of manufacture are duly recorded in the store ledgers of the Factories. Dr. Anderson, the Director General, explains that the difficulty with regard to connection between payments for piece-work and the record of articles produced

produced in what he terms piece-work ledgers, would be very costly and troublesome to establish. The War Office add that under such circumstances the accounts would never come out. They would not be obtained in sufficient time to settle the Appropriation Accounts of the Army and Navy. Q. 2152. Q. 2156.

32. Your Committee, in reference to these points, have inquired into the progress made by this Department Committee in its work. Dr. Anderson, as head of the Department, is also president of this Committee, some members of which are his own principal officers. He thinks that perhaps two years may elapse before its proceedings are completed. Q. 2098. He apprehends that nothing can be done to expedite the work of the Committee because it involves changes in the administration of the Factories, and because there is always extreme difficulty in making changes while the Factory is in full work. Decisions of Q. 2114. the Committee are carried out at once upon their being settled, and the introduction of such changes can only be effected with deliberation. Moreover, the departmental officers Q. 2115. do not always agree with the Comptroller and Auditor General regarding the alterations. Q. 2117. They think that an increase of staff costing perhaps 20,000*l.* a year would be needed to carry out all that the Comptroller and Auditor General requires. The Treasury Q. 2148. would be prepared to consider a proposal for increase, though doubtless within much Q. 2143. narrower limits than the sum above mentioned. But the business would involve the tracing of progress of the work through extraordinarily minute stages.

33. Your Committee have suggested that the Comptroller and Auditor General should confer with the Departmental Committee regarding the points of difference between him and them. Still Dr. Anderson holds that a considerable time must be Q. 2176. allowed, because there is difficulty in introducing changes in a complicated manufacture where men must be paid every week; and that every change must be so gradual that the necessary checks week by week should not be disturbed. If the Factory could be stopped altogether and start upon a new system, the thing would soon be done. But with an old system he thinks that anything of a violent nature would only lead to Q. 2180. confusion.

34. Thus your Committee see no alternative but to be content with urging Dr. Anderson and his Committee to use all possible expedition in conference with the Comptroller and Auditor General. But your Committee must observe that no pains should be spared to settle this matter properly in time of peace. For if emergencies should arise, while it is still short of being thus settled, existing difficulties would be aggravated as well as multiplied, and the ultimate uncertainty of accounting would be proportionately augmented.

35. Meanwhile your Committee note that the Comptroller and Auditor General is able to make the audit much more satisfactory than it used to be at the outset, and that Q. 2174–75. the improvements already effected have enabled him to follow the accounts more closely than before, though links are still wanting to enable him to trace the expenditure through. In reference to the allocation of day-work to items of production remaining without independent verification, your Committee learn that this defect has been remedied, and that independent work-taking has now been introduced into the Laboratory. Q. 2118.

36. In reference to the Royal Gun Factory, your Committee observe that there is now a centralisation of Factory records, whereby the manipulation of accounts within the several Factories is rendered difficult; while independent work-takers keep an independent record of all the labour expenditure that goes on in each one of the Factories. The centralisation is now completed at Woolwich, but not at Enfield Small Q. 2182. Arms Factory, nor at Waltham Abbey. Your Committee trust that these remanets will Q. 2183. be disposed of, and that centralisation may make matters more perfect than at present.

37. In reference to the stock-taking of semi-manufactured Remain at the Royal Gun Factory, your Committee observe that last year this was carefully done for the first time, the Factory being temporarily closed for the purpose. Discrepancies had become apparent which were assumed to be traceable to errors in the earlier Remain; Q. 2185. and the number shown in that Remain were altered so as to balance the account. This is, *primâ facie*, objectionable, but Dr. Anderson explains that it was owing to the Q. 2187. imperfect stock-taking of the Remain. Hence the base line of the calculation of March Q. 2190. 1892 was assumed to be erroneous. On further examination he states that this, taken as Q. 2191. an original *datum*, was only an estimate. The value of the Remain, he adds, is only an estimate in all cases, and it is difficult to assign a value to semi-manufactures. He is

confident, however, that from this year the *datum* line will be trustworthy, from which to start the estimates, owing to improvement in stock-taking. Your Committee trust that in his next Report the Comptroller and Auditor General will be able to state that this foundation line has been accurately laid. Q. 2200.

38. In the Royal Gun Factory, respecting adjustments of half-wrought material in departmental store ledgers, an explanation was asked for by the Comptroller and Auditor General. In reply, the War Office admit the occurrence of various errors, and, indeed, considerable discrepancies. These errors are not, however, in the accounts of the Remain but in the records of issues. There appears to be no fault in the stock-taking, which is done by the War Office independently of the Factory, so far as it goes. This is, however, a test stock-taking only, and not a complete one. But the Comptroller and Auditor General does not think it need be enlarged at present. Q. 2214. Q. 2209. Q. 2213.

39. Your Committee have inquired more particularly how these errors arose. In some cases they are attributed to mistakes made in appropriating material. A precept is sent to a workshop for certain materials, and a mistake occurs in the record of the issues. The mistake may arise from the way the materials were allocated to a particular work. One cause of difficulty is, that the allocation of the work has to be frequently changed; and that, too, as between the guns made for the Army and for the Navy. In one case, that of iron forged billets, there was an error in the store accounting by which, though the billets were actually issued, the issue was not recorded. Apparently there is nothing, save the vigilance of the officials, to prevent issues being thus made of other articles, possibly to a considerable extent. Dr. Anderson is, however, confident that this vigilance is so exerted that recurrence of such faults will be avoided. Q. 2216. Q. 2218. Q. 2227. Q. 2234.

40. In the Torpedo Factory the same question arises as that already discussed in reference to the other Factories, and to the system known as that of piece-work ledgers. Ordinarily the Comptroller and Auditor General might desire to see this applied to the manufacture of torpedoes. But Dr. Anderson thinks that it could not be applied here because of the enormous number of the parts of a torpedo. He says that if, for instance, there are a thousand pieces of a torpedo, and each piece has five or six operations upon it, and if a separate record were kept for each piece and of each operation on it, then the amount of book-keeping would be appalling. Still he has a practical system for his own satisfaction, and your Committee have suggested that he should confer with the Comptroller and Auditor General, to see whether that much of system may not suffice to satisfy the Audit Department. Q. 2241. Q. 2249. Q. 2252.

41. Regarding the work-taker system in the Royal Laboratory, the Comptroller and Auditor General has called the attention of the War Office to a transaction which seemed to indicate that a certain duty still remained in the hands of the foremen, an arrangement which he evidently regarded as objectionable. The War Office have explained, in reply to your Committee, that the independent time-keepers, as they were formerly called, are now called work-takers and report direct to the Central Office. The Comptroller and Auditor General expresses himself as satisfied with this if it be properly carried out. Q. 2254.

42. In paragraph 10 of his Report the Comptroller and Auditor General adverts to an unexplained increase in the cost of certain shells. The question is still under inquiry by the Department. Meanwhile, your Committee observe that the explanation first offered relating to the price of steel was actually incorrect, and that such a mistake ought not to have occurred. Dr. Anderson replies that it occurred under the old *régime*, that is, before April last, when he took over the Royal Laboratory at the Central Office, and is confident that it will not recur, owing to the introduction of the central check. Appendix No. 2. Q. 2257. Q. 2260. Q. 2265.

Your Committee observe the discrepancies within the cost ledgers. The totals may be correct absolutely, but the details have been determined by estimates and revised estimates. The Department explain that this objection will not recur under the new system. Q. 2270 Q. 2276

43. From paragraph 18 of the Comptroller and Auditor General's Report it appears that he was invited by the Treasury to make a comparison of factory cost with contractors' prices, and report to Parliament whether the results appeared to him to be satisfactory. But the Treasury attached the condition that he should withhold the particulars in deference to objections raised by the War Office. Indeed the publication of such details might amount to a breach of faith with the contractors. The Comptroller and Auditor General Q. 2277

General has been unable to undertake this work because, as a Parliamentary officer, he must be at liberty to produce to Parliament any detailed reasons he may have for any conclusion. Otherwise a conclusion of his might be challenged, and he would be unable to adduce proofs for it. Your Committee accept the opinion of the Comptroller and Auditor General to the effect that it would not be desirable for him to undertake the duty under these conditions. They, however, think that the Treasury should reconsider the question in concert with the War Office, with a view to the audit being conducted according to the wishes of the Comptroller and Auditor General. Q. 2279.

NAVY APPROPRIATION ACCOUNT, 1892–93.

General Remarks.

44. Your Committee observe that in page 152 of his Report the Comptroller and Auditor General states that the Treasury have postponed their sanction to the temporary application of surpluses to meet deficits until the outcome of the Naval Defence transactions in 1892-93 is declared. It appears that the Treasury will await the Report of your Committee on the whole subject, having usually postponed their covering sanction upon the Navy Appropriation Account till Midsummer, or even later, this being the practice since 1889–90. Q. 819.

45. In paragraph 6 of his Report the Comptroller and Auditor General, after setting forth several surpluses in the Shipbuilding and Works Votes over six years, amounting in all to nearly 1½ millions, remarks that if a margin of saving potentially applicable to meet deficits elsewhere becomes normal, an inclination to less careful observance of the lines of expenditure set out in the Estimates, and covered by the Appropriation Act each year, may be engendered. Among the correspondence attached are Treasury letters (page 163), wherein it is observed that over-estimates prove to be habitual through a series of years, and therefore present the appearance, at least, of being deliberate—that constancy of over-estimate is the striking feature, suggesting the inference that these Votes may have been regarded as "pools" to be drawn upon in aid of other Votes, as occasion arises.

46. Your Committee think that there is much gravity in these statements, and have made careful inquiries of the Admiralty on the subject, especially as the apprehension arises that there might be a corresponding under-estimate of other Votes. They have not, however, been able to reach beyond what may be termed a general explanation. The obligation of framing the estimates of shipbuilding expenditure as accurately as possible is acknowledged. The causes of partial failure of the estimates are said to be the disturbances of trade during these years. For some years the shipbuilding was prosperous. In other years there were strikes and labour difficulties to prevent the contractors from actually earning the amount of money which they stated 12 or 15 months beforehand they would be likely to earn. As to fault, that is attributed to the contractors and to the circumstances of England at the time; but is not at all admitted on behalf of the Admiralty. Q. 857. Q. 852. Q. 853–4.

47. On the other hand, the Admiralty state that though there proves to have been over-provision owing to general causes such as the above, yet efforts have been made to bring about a closer approximation between estimate and expenditure, and that less sanguine estimates have been formed. Their desire is to make an honest estimate of each Vote, and while avoiding undue risk of an excess on the aggregate of the Votes, to reduce as far as possible the probability of recurring excesses on particular Votes. In justice to them, your Committee have considered a statement of considerable sums surrendered on the whole account to the Exchequer during the years in question. These surpluses were surrendered at the end of the year, as the final outcome, after Treasury sanction had been obtained, for various transfers from one Vote to another. Your Committee observe that this does not afford a complete or an exact answer to the remarks made by the Treasury and Comptroller and Auditor General. But it does show that the surpluses were often applied in the best manner, namely, in surrender, and not always in meeting deficiencies. Q. 842. Q. 847.

48. Your Committee have drawn attention to the power practically possessed by the Admiralty of keeping the contractors to working more than heretofore, in accordance with the estimates of the contract work submitted originally by the contractors themselves. Q. 887–897.

49. Your Committee would add that in these important cases there is no question of regularity or legality respecting the sanction of the Treasury, as set forth in the Q. 916. Appropriation Act. The question is one only of administrative discretion. It is to be observed that in all transfers, that is, the defrayal of expenditure out of surpluses, urgency is implied by the words "which it would be detrimental to the public service to postpone till provision can be made by Parliament." Doubtless the Treasury satisfied themselves upon the merits of the case for urgency, as made out by the Admiralty in these instances.

Appropriations in Aid.

50. The Comptroller and Auditor General adverts, paragraph 7, to the continuous deficiency in Appropriations in Aid, by reason of short payments from India, 77,000*l.* Q. 962–1019. annually, on account of its share of the cost of the Naval Defence in Indian Waters. This matter has long been under discussion with the Admiralty and the Treasury, and even some arbitration has been undertaken. Your Committee have pressed for speedy settlement.

51. In reference to paragraph 8 of the Comptroller and Auditor General's Report your Committee observe that there will be a permanent deficit as between the cost of Q. 1020. Maintenance for Ships in Australian Waters, and the amount that can be charged by statute; in other words, that the limit of 91,000*l.*, payable annually by the Colonies under the Naval Defence Act of 1888, exclusive of the interest for the outlay of the Q. 1036. ships, will never cover the expense. Your Committee understand that Parliament is prepared for this result; but the fact is manifestly an argument for economy in cost of maintenance.

VOTE 2.

Credit of Value of Cloth to Sub-Head M., Seamen's Clothing.

52. In paragraph 9 the Comptroller and Auditor General adverts to a technicality arising upon the credits to debit sub-heads, in consequence of the clothing contractors having to take over material from the Government Stores. The correspondence is not yet completed, but the Comptroller and Auditor General informs your Committee that if the Treasury sanction the arrangement proposed by the Admiralty he has nothing to press further.

VOTE 5.

Royal Naval College, Greenwich.

53. Your Committee observe (page 154) that a sum of 5,000*l.* was paid by the Admiralty to Greenwich Hospital as increased rent. This sum was sanctioned by Parliament on the recommendation of a Parliamentary Committee for a given year. But the need of this money had existed during the previous year, 1892–93, and when provision was made in the Estimates of the following year the Treasury sanctioned the payment for the previous year, considering that this came within the purview of the intention of Parliament. This was done under the condition that the charge should Q. 1107. be met out of savings (Vote 5, Educational Services). It appears that additional money was wanted by Greenwich Hospital for pensions, and this was provided by obtaining from Q. 1112. the Government an increased rent for the buildings. This arrangement was, your Q. 1114. Committee observe, within the general cognizance of Parliament. Your Committee have considered the question whether ante-dating the concession allowed by Parliament, in other words, of giving retrospective effect, was regular, and whether further authority should have been specifically obtained from Parliament. They learn, however, that a Supplementary Estimate of Greenwich Hospital Income, explaining this addition of 5,000*l.*, was presented to Parliament in 1892; that Lord George Hamilton announced to the House of Commons on 9th June 1892 (Parliamentary Debates, Vol. v., col. 617) that the rent of 5,000*l.* per annum would take effect at once: and that this statement was repeated in the House by Mr. Ashmead-Bartlett on 20th June 1892 (Parliamentary Debates, Vol. v., col. 1580). The Treasury, therefore, were satisfied that the payment would accord with the wishes of Parliament.

VOTE 7.

Excess Expenditure arising from Payment of Compensation to Royal Naval Artillery Volunteers on Disbandment.

54. Your Committee observe that a small sum of 1,000*l.* was taken because the report of a sub-committee on the subject had not been received. The 5,842*l.* now shown represents nearly all that is required; but still a slight amount will be needed for an individual officer, and for some other purposes in detail. A question might arise as to whether a more complete provision ought to have been made in the first instance; but it was perhaps prudent to provide only a small sum lest the expectations of officers should be unduly aroused. Q. 1183.

VOTE 8.—I.

Overtime at Malta Dockyard.

55. The Comptroller and Auditor General deemed it necessary to ascertain from the Admiralty whether existing regulations provide for securing systematic supervision. The Admiralty reply that overtime is resorted to only in cases of necessity, and that the attendance of salaried officers is constant when men are working overtime, and that the time of employment is noted by the recorders of work. Your Committee consider that in these respects the observance of the rules should be the same at Malta as in the Home Yards. Q. 1185.

VOTE 8.—II.

Deficit under Sub-Head B.—Metals and Metal Articles.

56. In the correspondence between the Comptroller and Auditor General and the Admiralty a technical matter has arisen out of which your Committee derive certain considerations. In page 155 some particular transactions are adverted to as being viewed with jealousy by the Public Accounts Committee, and as offering a temptation to Departments to spend savings. In the case under notice the Admiralty gave explanations, and obtained Treasury sanction to the exceptional expenditure. This sanction being explicit the Comptroller and Auditor General does not make further remark. But your Committee observe that the application was not made by the Admiralty to the Treasury till the last month of the financial year, when it was anticipated that there would be a surplus on the Vote. Your Committee observe that instances of this nature justify the watchful jealousy on the part of the Public Accounts Committee, as mentioned above. Q. 1202. Q. 1203–5.

VOTE 8.—III.

Waiving of Claim against Contractors.

57. In paragraph 17 the Comptroller and Auditor General noticed the waiving by the Admiralty of a claim against contractors respecting unfinished work in the "Blenheim." Your Committee caused further consideration to be given to this matter. The Treasury communicated their approval to the Admiralty regarding what had been done. The Comptroller and Auditor has stated to your Committee that having been to some of the Dockyards, and having seen the nature of the gratings, &c., which were supposed to be provided for in the specifications, he now considers that the claim has been rightly abandoned, and that his question is cleared. Q. 2308. Q. 2309.

Deficit on Sub-Head D., caused by Purchase of Vessels not provided for in 1892-93.

58. In page 155 the Comptroller and Auditor General, in reference to the purchase of two additional vessels, cites a passage from a Treasury letter to the effect that a particular service does not seem to be of so pressing a character as to warrant the use of the power of applying the savings of one Navy Vote in aid of another on its account. According to the view of the Treasury a different or lesser degree of urgency is required in such a case as the present from that needed for the use of the powers under Section 4 of the Appropriation Act, which enables the Treasury to approve of the use of a surplus on one Vote to meet a deficit on another Vote. In the present case there was no Q. 1218. Q. 1220.

question of exceeding a Vote; it was a question of causing a deficiency under a sub-head of the Vote only; and the Treasury held that a less degree of urgency was sufficient to justify an excess of that kind. Further, it is stated that this setting up of degrees in urgency is in no sense a new rule of the Treasury; it has existed ever since sub-heads
Q. 1225. have existed, that is, for about 30 years. Your Committee consider that there was in these cases a sufficient degree of urgency to justify the Treasury in sanctioning the expenditure. It is to be noted that Vote 8 is divided into three sections, each of which is counted as a Vote.

VOTE 9.

Naval Armaments.

59. Your Committee have considered whether there is due observance of the limits between the two kinds of expenditure known as "normal" and "Dockyard." This matter will continue to be of importance until the accounts under the Naval Defence Act shall be wound up; but your Committee understand that the Comptroller and Auditor
Q. 1248. General watches over the practical observance of the distinction.

60. In reference to this, your Committee have noticed that contractors who were supplying projectiles and ammunition for the "normal" service were not able to supply a sufficient quantity, or what they did supply was rejected, and consequently there was a surplus on the subheads. On the other hand, in regard to these articles for the "Dockyard"
Q. 1260. service there was a deficit. Regarding this circumstance, the explanation offered is that the "Dockyard" orders are under the Naval Defence Act, and those contracts were entered into in years previous to 1892-93, so the contractor got into the way of manufacturing the stores, and so precedence was given to the Naval Defence Act contracts in preference to the "normal" orders, which were issued during the current year of 1892-93.

61. Your Committee consider that particular attention should be given to points of this character, while the accounts of the Naval Defence Act are still pending.

Advances to Contractors on Guns said to be outside the Terms of Contract.

62. In paragraph 20 the Comptroller and Auditor General adverts to the foregoing of certain interest possibly claimable from contractors, and to the adoption of a new form of contract. Your Committee have considered a letter written by the Admiralty to the Treasury on
Q. 1277-278. this subject. The Comptroller and Auditor General has not been able as yet to state anything definitely hereon, except that if the payments shall prove to come within a properly authorised contract form he will be satisfied. Your Committee now learn that the Treasury think the explanation sufficient to warrant the Public Accounts Committee
Q. 2314-317. in allowing the advances without charge of interest. The Comptroller and Auditor General concurs in this view, which your Committee are prepared to accept.

Responsibility for Test and Inspection of Naval Warlike Stores.

63. As regards the test and inspection of Naval Warlike Stores, the Comptroller and Auditor General states that the result of the further consideration of the question has not yet been communicated to his Department. This matter was adverted to by the Public Accounts Committee last year. The Naval Ordnance Store Committee which would deal with the whole subject was not able to sit during that year. Further arrangements have been made to ensure its sitting during the present year, and your Committee have
. 1312-315. urged that the particular point raised by the Comptroller and Auditor General should be dealt with as soon as possible. Nearly three years have elapsed since the Admiralty took
. 1320. over the direct responsibility for the administration of the Naval Armaments Vote, that is,
. 1321. since October 1891. But the Committee above mentioned had the point referred to it last year only, after it had settled the transfer of Naval Ordnance Stores from the War Office at all home ports to the Admiralty.

64. Your Committee have impressed on the Admiralty the desirability of having this matter settled during the present year.

Productions at the Ordnance Factory, Woolwich.

65. The Comptroller and Auditor General notes the necessity for a closer examination of the Production Voucher, as certain errors of under and over charges are admitted to have been made. He, however, expresses himself as satisfied that arrangements have been made to prevent the recurrence of such errors. Q. 1328.

VOTE 10.

Works—Steam Launch purchased for Works Department.

66. The Comptroller and Auditor General, referring to the purchase of a steam launch at Portsmouth for dredging, objected to the Admiralty's view both as regards authority and classification. He, however, accepts the Treasury authority, which was subsequently given, and waives the point regarding classification. Your Committee must, however, observe that if the Treasury sanction was necessary at all it ought to have been obtained before, and not after the transaction. In reference to the question whether this launch ought not to have been specifically entered in the detail of the Estimates, your Committee observe that this was actually arranged in the case of a launch at Devonport, and they consider that this should be done in all cases. They understand that it will be done in future. Q. 1356. Q. 1361.

Transfer of Stores from Extension of the Yard at Portsmouth to Completing Docks.

67. The Comptroller and Auditor General considers that the transfer between these two items ought not to have been made, because it was not an actual transaction but merely a book transaction. The stores were not transferred in 1892-93, and so the transaction should not have been recorded in the Accounts of that year at all. It appears that the Admiralty do not dispute the objection which was thus taken. Q. 1364.

Outstanding Claim.

68. There is a claim of the Admiralty on the Board of Trade for 7,800*l.* of rents due from the Mercantile Marine Fund. This was brought to the notice of the Treasury in 1890, and the claim is held to be valid; but the Admiralty cannot hope to obtain payment at present. Your Committee observe that this fund is practically in the position of a creditor of the Exchequer, from which it receives every year a Grant in Aid in return for services rendered; so any unsatisfied claim upon it would naturally be made by adjustment of the Grant in Aid. The Admiralty claim will be satisfied whenever the Grant in Aid is revised, because due provision will then be made for this claim as possibly for other claims. Q. 1391. Q. 1392.

New Sub-Head.

Cost of Vessels for Lake Nyassa, &c.

69. Your Committee notice that the cost of certain vessels made for Patrol Services on the Shiré River in South Africa has been charged to Navy Votes, although, in the opinion of the Admiralty, this service ought not to be included in the Navy Services on the ground that the cost of inland service in Africa ought not to be defrayed from Navy Votes, this service being distinct from and outside the purposes for which the Naval Funds are voted. In December last, however, the Treasury state "the expenditure on these steamers is shown under a special Sub-Head in Vote 11. As they were built and sent out by order of the Admiralty, and are navigated by officers of the Royal Navy under like orders, my Lords think it right that Navy Votes should bear the charge of these vessels." The Comptroller and Auditor General remarked that the present charges should be admitted against the Navy Votes, but he suggested that a separate Sub-Head should be raised for the purpose of the matter being laid before Parliament. In this view your Committee concur. Q. 1411. Q. 1415.

Delay in regard to Replies to Communications.

70. The Comptroller and Auditor General draws attention to some delay, as he regards it, on the part of the Admiralty in answering his references so that he may be able to complete his cases before submitting his Report to Parliament. The Admiralty, to some extent, make rejoinder that these references are not always made in time to

allow them to dispose of the technical points involved before the date for the submission of the Report. Your Committee have duly considered the dates on which these references were made and replied to. They trust that further complaint in future will be obviated. Further, your Committee feel bound to observe that instances where the Comptroller and Auditor General reports that he has made references and not received
Q. 1476. replies, though far from frequent, are not so infrequent as might be desired. In consequence, the time of your Committee is sometimes occupied in inquiries which might have been saved had the replies been received in time. They hope that the authorities, mindful of the obligation of the Comptroller and Auditor General to report to Parliament by a certain date, will endeavour to send their replies before that time.

NAVAL DEFENCE ACT, 1889.

Unauthorised Excesses of Expenditure over Statutory Estimates under Individual Ships.

71. The Comptroller and Auditor General, in paragraph 16, adverts to detailed Estimates for individual ships, and goes on to say that if these Estimates were not final, and if the new Estimates were necessary under Section 6 of the Naval Defence Act of 1893, such Estimates should have been submitted to the Treasury before any money was applied, in pursuance of the amending Act, that no such new Estimates were or have
Q. 1487. yet been put forward. He contends that there has been, in connection with this, a
Q. 1494, distinct breach of the Act which is admitted by the Treasury.

72. Your Committee learn from a Treasury letter of recent date, 16th April 1894, that the total of the revised Estimate was as follows:—

	£.	
Building and completing 38 Dockyard ships - -	9,441,747	
Completing 32 Contract ships in Dockyards - -	371,964	
	9,813,711	
Balance available for contingencies - - -	186,289	
Total Dockyard Shipbuilding Fund under Naval Defence Acts, 1889 and 1893 - - - - - -		£. 9,999,990

Or, in round numbers, 10,000,000*l.*

The Treasury goes on to say, "This Estimate is submitted in accordance with Section 4 of the Naval Defence Act, 1889, which has been applied by Part I. to moneys expended under the later Act, and my Lords approve of it accordingly. In strictness, the Estimate ought to have been submitted before any money was expended under the Act of 1893. This, however, would have been impossible, because expenditure requiring the ratification of that Act had been incurred before the Act was passed."

73. The Admiralty reserve the right, with Treasury sanction, to spend the balance of 186,289*l.* on all or any of the ships before 31st March 1895, for the statutory purpose of Dockyard shipbuilding. The Treasury consider that, subject to the requisite provision being made in the Navy Votes, such an appropriation would be in accordance with the
Q. 1488. intention of Parliament in passing the Naval Defence Act of 1893.

The original Dockyard Shipbuilding Estimate of 8,650,000*l.* grew to 9,729,351*l.*, which sum is the total of "the red ink figures" referred to in the 54th paragraph of the Third Report of the Public Accounts Committee of 1891 as final.

74. The Treasury then observe that "the red ink figures professed to be the finally revised Estimates submitted under the 4th Section of the Act of 1889, and yet their amount made them extra-statutory; and before the total thereof could be legally applied to the statutory purpose of Dockyard shipbuilding, further legislation was necessary. An amending Act was preferred by Her Majesty's Government in 1893. The question then arose to what extent the statutory Dockyard Shipbuilding Fund ought to be enlarged.

It

It had been known for some time that 'the red ink figures' would be exceeded. Accordingly, it was determined to ask Parliament to enlarge the Fund to 10,000,000*l*. This enlargement of the Fund, coupled with the embodiment of Section 4 of the Act of 1889 in the amending Act, made it necessary to present the revised Estimates which, inclusive of the unappropriated margin of 186,289*l*., my Lords have now sanctioned."

75. In reference to the above, your Committee observe that these Estimates have been submitted according to the statute, but after the appropriation of the money. The Treasury regard this as inevitable, full compliance with the amending Act being impossible. The same thing occurred in 1889. Before the Estimates were submitted some money had been spent, and similarly in 1893–94 some money was spent on account of the augmented Fund before the Estimates had been submitted to the Treasury. Indeed, the Treasury view is that Parliament must have intended that the provisions, to which the Comptroller and Auditor General draws attention, were to be observed only as far as it was possible to observe them. Your Committee can only say that under abnormal and difficult circumstances respecting audit and account, no effort should be spared to render compliance with the Act as nearly absolute as practicable. Q. 1492.

Treasury Naval Defence Account.

76. The Comptroller and Auditor General remarks that there are certain omissions in the General Account prepared by the Treasury which render it incomplete as a continuous record of the Naval Defence Fund transactions. Your Committee learn that the Treasury was awaiting certain information which came too late for this Account, but this will be inserted in the next year's account, which will be final and complete.

DOCKYARD EXPENSE AND MANUFACTURING ACCOUNTS.

Examination of Home Yard Accounts.

77. The Comptroller and Auditor General, in paragraph 1, indicates certain errors in the books regarding quantities and values, and recommends the extension of the test comparison evenly over all the yards, instead of over one or two yards as heretofore. Your Committee learn that this will be done, and that the Treasury have approved the appointing of a special officer for this purpose; he will be solely employed on these duties, and go round from one yard to another, working in conjunction with the representative of the Director of Stores from the Admiralty, but independent of him. Q. 1937. Q. 946.

78. In connection with this, your Committee observe that if the two books, namely the Store Ledger kept in the Store Department, and the Value Ledger kept in the Expense Accounts Department are both accurate, the balances should agree. Nevertheless, owing to the multiplicity of transactions, discrepancies have occurred, which must be regarded as unsatisfactory. Your Committee, however, learn that these have been reduced every year till they become fractional in comparison with the amount involved. It is hoped that next year the Comptroller and Auditor General will be able to report still further improvement. Q. 1957. Q. 1961.

Abolition of Conversion Balance Sheets.

79. In paragraph 6, the Comptroller and Auditor General adverts to the above subject as withdrawing certain points from the purview of his Department. It is explained that the abandonment of these Cost Accounts is experimental, and as such has received the covering sanction of the Treasury. The Comptroller and Auditor General having visited officially the Dockyards of Portsmouth and Devonport, will in his next year's Report, deal more completely with this subject, which is one of intricacy. It will not be possible for your Committee to embody their opinion in the present Report. Q. 1962. Q. 1966. Q. 1966.

Foreign Yard Accounts.

80. The Comptroller and Auditor General in paragraph 7 notices defects in the Stock Valuation Account at Malta. Your Committee learn that the same tests which have been applied in the Home Yards will be extended to Malta. It is hoped that the application of the tests will lead to a rectification of the defects pointed out. Q. 1974.

PROGRAMME AND PERFORMANCE IN SHIPBUILDING.

Sub-Head C.—New Vessels.—Further Programme.

81. In paragraph 15, the Comptroller and Auditor General adverts to departure from the Programme submitted to Parliament whereby the work upon the "Magnificent" was not taken in hand in order to devote the labour to the more rapid completion of the Q. 1976. Naval Defence Ships. He further inquired whether Treasury sanction was obtained thereto, and whether fuller explanations should not be given respecting certain other variations from the Programme. Your Committee observe that in reply to a reference from him the Admiralty in effect maintain that within the limits of the Sub-heads of the Programme they are not subject to Treasury control except in cases where ships not Q. 1977. mentioned in the Programme are commenced. Referring to this, he proceeds to state his views in a Memorandum which will be found in the Evidence, respecting the examination according to Programme required by the Army and Navy Audit Act of 1889 (Section 1 (2). It is to have regard not merely to commission but also to omission of expenditure. If there has been less expended on a vessel an adequate explanation should be furnished for the variation and similarly for excess expenditure on a vessel. He adverts to the difference between the Programme and ordinary estimates. For these estimates there is no legislative or statutory sanction, consequently it is only Treasury regulation which requires any following of the Estimate in detail. But the direction to the Comptroller and Auditor General to follow the Programme is statutory, and therefore one which does not lie either with the Admiralty or the Q. 1977. Treasury to be departed from without explanation being rendered. By the expression "following the Programme," your Committee understand that the Comptroller and Auditor General has to compare the particulars of the Programme with actual performance. The Treasury appear to appreciate the obligation of the Comptroller and Auditor Q. 1983. General to act upon this view, so far as reporting to Parliament may be concerned.

82. Your Committee recognise the statutory obligation resting on the Comptroller and Auditor General to follow the Programme in the manner above described. But it seems doubtful whether the sanction of Parliament could be obtained beforehand to alteration of detail. The Comptroller and Auditor General appears to think that Q. 1980–2. this was not necessary and was indeed hardly practicable. In his opinion the point is that Parliament should be informed of the variation with suitable explanations, which is obtainable through the Account, and that by these means the earliest practicable information should be obtained.

83. Respecting the diversion of expenditure for the "Monarch" to other ships, your Committee understand that although explanations have not been given respecting the Q. 1994. past, they are promised for the future.

GREENWICH HOSPITAL AND TRAVERS' FOUNDATION.

84. Respecting the sum of 16,000*l.* mentioned in paragraph 1 of the Comptroller and Auditor General's Report, your Committee observe, although provision has now been made for this sum in the Estimates, that a sum of 8,000*l.* was paid for six months in Q. 1576–79. 1892-93, not by authority of Parliament, but by the Admiralty and the Treasury jointly out of the Navy Votes. In reference to that a statement was presented to Parliament explaining the probable insufficiency of the Estimate for Naval and Marine Pensioners. After recital of the recommendations of the Select Committee, it is said, "For this service no provision has been made, as the decision had not been arrived at when the Estimates were in course of preparation." It is then explained that the "excess that would be caused by paying 8,000*l.* over the half year would be met either by the appropriation of savings from Navy Votes, or by means of a Supplementary Estimate." Ultimately no Supplementary Estimate was deemed necessary. The Comptroller and Auditor General Q. 1590. considers that the Admiralty and the Treasury had the power to make this appropriation. As this was a new service, your Committee consider that there might be a reason for inquiring whether a Supplementary Estimate should not have been submitted to Parliament. The answer would depend on the matter being within the four corners of the Q. 1592. Vote. The Comptroller and Auditor General held that it was, and your Committee accept this view.

Income Account.

85. In paragraph 7, the Comptroller and Auditor General virtually makes a requirement that there should be an Order in Council to enable the grants to be made to assistant masters out of an item of Income. He holds that these grants are of the nature of salary, being extra remuneration granted to salaried officers in respect of services performed in the ordinary course of duty. The solicitor to the hospital dissents from this view, holding that these amounts are not in the nature of salary, but are merely temporary payments, which can be terminated at any time if the boys fail to earn the grants. The money out of which these grants are paid does not belong to the hospital, but is allowed by the Science and Art Department. Your Committee consider that this view is right with reference to the terms of the Greenwich Hospital Act of 1865, which prescribes that the Admiralty may, subject to an Order in Council, fix the salaries. This implies that as these salaries must come from hospital funds, other remuneration from other sources would not fall under the Order in Council. Q. 1595.

STORE ACCOUNTS OF THE NAVY.

Naval Stores.

Value of Stocks, 31st March 1893.

86. The Comptroller and Auditor General, in paragraph 1, desires a statement under Vote 8, Part II., showing the causes that make for or against an equilibrium of stock annually. Your Committee learn that such a statement will be presented. Q. 1623.

87. In reference to the valuation of stores transferred from the War Office to the Admiralty (*see* paragraph 21 of this Report), it is to be remembered that stores which are obsolete for Army purposes may be useful for Navy service. It appears that they are sometimes so transferred at one-tenth of the vocabulary prices. Your Committee have considered the question as to whether such stores should be valued at their full or original price. It appears that they would be taken on by the Admiralty at the price the Admiralty paid for them, that is, one-tenth. Your Committee consider that this is the right course for the present; but whether the rate of valuation is correct seems to be a matter which deserves further consideration. Q. 1638. Q. 1645.

Unsatisfactory Store Accounting.

88. Your Committee notice the unsatisfactory report made regarding the store accounting at Chatham Dockyard. It appears that the Chatham Yard felt more than any other Yard the pressure caused by the increase of the Fleet since 1889. The accounts were known to be defective, and steps for rectification were taken by increase of establishment and otherwise. Q. 1673.

89. But, besides possible errors in account, your Committee observe that there may be cases of a more serious character. The Report speaks of "discrepancies traced between the number of articles shown on the demand notes for issues and the numbers actually issued." Your Committee consider that, if more articles are issued than those included on the demand note, the balance may go anywhere, or may even be misappropriated. No satisfactory explanation has been elicited, although it was alleged that any malpractice would subsequently be detected. In confirmation of the doubt your Committee received from the Comptroller and Auditor General a note of a case where certain issues did not agree with the ledger record. It then appeared that "errors were occasioned by clerical omissions to alter notes (presumably in accordance with the actual transactions), and in one instance by an unauthorised alteration of the ledger." The Admiralty in this connection stated that "serious notice will be taken in future of alterations made in ledgers without adjustment note." Q. 1685–91. Q. 1698. Q. 1693.

90. Your Committee attach importance to this information, which fully justified the Comptroller and Auditor General in drawing the attention of Parliament thereto. Undoubtedly such faults open the door to various malpractices, which it is to be hoped have not occurred, though their occurrence was but too possible. Your Committee trust that the notice now taken may ensure the adoption of such measures in the Dockyards as may render the recurrence of any such faults impossible.

Robbery of Metal Articles at Portsmouth.

91. In paragraph 5 the Comptroller and Auditor General draws attention to a robbery of metal articles at Portsmouth, involving the falsification of two sets of records. Your Committee learn that, for prevention in future, both the ledgers are locked up at night. In respect to the improper removal of stores from the Yards, it appears that in one Yard additional police are to be taken on, with "a special search of the men employed." But the Department are not sure that this arrangement will be carried out in all the Yards. Considering all the circumstances of these Yards, your Committee trust that the police establishment is maintained in a position of independence conducive to the faithful discharge of this duty. They think that the special attention of the Admiralty should be drawn to the position of the establishment, and to the terms or conditions of its service in or about the Yards. They apprehend that, had the arrangements been quite effective, the petty thefts disclosed in these accounts would not have occurred.

Q. 1708-9.

Faulty Timber.

92. In paragraph 6 the Comptroller and Auditor General refers to explanation required from the Inspector at Dantzic as to the acceptance of certain timber there, at a full valuation of 996*l.*, in which certain flaws were afterwards noticed. Your Committee learn that the Inspector is a Dockyard officer. When the Admiralty want to buy timber at Dantzic they appoint an officer whom they think suitable for the purpose. He goes and selects the consignment. This consignment, when delivered at the Home Yard, is criticised by the Surveyor of Stores. No rejections or abatements can be made after "deals" (timber) have been passed by the Inspector at Dantzic. This Surveyor perceived that some deals were sappy, some had knots too large, and some were below contract width. They did not, however, prove unserviceable. The Store Department consider that in a large lot there will always be some faults, which are allowed from the price, and that on the whole this was a good lot of stuff. After considering the opinion of the Comptroller and Auditor General, your Committee think that the matter may pass, but have impressed on all concerned the importance of great care being exercised by Inspectors in passing the timber at foreign ports.

Q. 1763, Q. 1766. Q. 1773. Q. 1769. Q. 1782.

Receipts given for Stores that have not been issued.

93. Paragraph 7 of the Comptroller and Auditor General's Report obliges your Committee to revert to a matter cognate to that already discussed in paragraph 93 of this Report. In his Report upon Store Accounts, 1891-92, he adverted to receipts being given for stores that were never actually issued, the demand notes being presented at the store counters already receipted, and issues for various causes not being made at the time. During the year under report, 1892-93, many similar instances have been noticed at Devonport; and two cases at Chatham, where signed demands for coal, which should have been cancelled, were inadvertently treated as if the coals had been actually issued. He adds that this practice is of long standing. On the 9th of January of the present year (1894) an order was issued to the Yards requesting the local authorities to take the necessary measures to stop the irregularity, as it might lead to a misappropriation of Government stores. The orders are now made peremptory, and the irregularity is believed to be stopped.

Q. 1787.

94. Your Committee have given close attention to these statements, which they regard as very unsatisfactory, especially as a whole year elapsed during which the attempts to stop the fault were unsuccessful. The explanation, too, increases their apprehension. It runs thus: there is a large number of men involved in the matter; they bring a demand note, and, to save time when removing the articles, they sign the documents in anticipation. On this your Committee observe that the storekeeper gets the demand note receipted, though he has not issued the stores, and he uses it to discharge himself of the goods in the demand note. He will presumably do right, but he may in this case do wrong, that is, misappropriate the stores. Such a malpractice would be all the easier if the articles happened to be small, such as could be pilfered by degrees. There would be collateral checks indeed, but your Committee learn from the Comptroller and Auditor General that these might not prove effective. The storekeeper may be more to blame than the comparatively ignorant men who bring the demand notes, although the official who makes the demand may be of a higher status. At all events your Committee observe that the storekeeper is the officer entrusted with the safe custody of the goods, and if he takes a discharge voucher without having issued stores against them he commits a breach of trust.

Q. 1785. Q. 1795, 1803. Q. 1792.

95. Under

95. Under the circumstances, your Committee think that every storekeeper should be warned that if he takes a receipted demand note for stores, without in return issuing those stores, he will incur not only censure, but something even more severe than that. Doubtless the Admiralty have already issued stringent orders on the subject; and your Committee trust that the prominent notice now taken of the matter will ensure the cessation of the fault.

Foreign Yards.

96. The Comptroller and Auditor General in paragraph 7 observes that steps have been taken with Treasury sanction to improve the storehouse staff at Hong Kong. Your Committee learn that the men were kept too long at that station, to the injury of their health, and that these will now have been replaced by fresh men for three years, who will be changed triennially from time to time. Q. 1811-13.

Victualling Yard Stores.

97. The Comptroller and Auditor General in paragraph 9, referring to the value of stock on 31st March 1893, asked for a particular statement; not so much for his own purposes, but rather for the information of Parliament. The store department, however, explain that an expense of about 1,200*l.* a year would be needed for this work. Under the circumstances, your Committee find that the Comptroller and Auditor General is not disposed to press the point, but they think that it should be further considered by the Treasury. Q. 1828.

98. In the 10th paragraph, the Comptroller and Auditor General states that certain condemnations of Victualling Stores should have been referred to the Treasury for sanction as involving public losses for which some person or persons should have been held responsible. Your Committee now learn that this sanction has since been obtained. They further learn that though neglect must have occurred for which somebody would be blameable, yet the Admiralty, after exhaustive inquiry, have failed to fix such blame on anyone, and the Treasury concurs in this. Your Committee cannot now do more than press the Admiralty to utilise the experience gained in this case for the prevention of any recurrence. Q. 1852. Q. 1854. Q. 1859.

Naval Ordnance Stores.

Alterations in Remains of Gunners' Stores after Survey by Officers.

99. Your Committee observe that in the remains or in the returns regarding surveys of stores on board ship, alterations have been made by the gunners or others in charge, after the report by the Surveyor. This is evidently an unsatisfactory circumstance. It appears that owing to deficiency of space and light it has been difficult to carry out stocktaking on board ships with entire accuracy. This is one of those instances which relate to the question of a separate and independent stocktaking; whatever be decided on that, your Committee think that results of the stocktaking under the direction of the Storekeeper General of Naval Ordnance should be specially observed by the Comptroller and Auditor General. Q. 1927.

IMPERIAL DEFENCE ACT (NAVAL SECTION).

Expenditure in Excess of Statutory Grant.

100. In paragraph 2 the Comptroller and Auditor General states that the expenditure of 853,977*l.* 13*s.* 6*d.* is in excess of the sum allowed by statute, 850,000*l.*, by 3,977*l.* 13*s.* 6*d.* He goes on to say that upon armaments 41,481*l.* 13*s.* 3*d.* remained unappropriated among the vessels on 31st March 1892. This amount having been distributed according to the views expressed by the Public Accounts Committee in their Report of 1893, the analysis brought out many errors in detail, and its final result has practically been the excess above set forth. In paragraph 5 the Comptroller and Auditor General observes that this excess having occurred beyond the statutory provision, the matter was dealt with in a way which he regards as questionable. Instead of applying to Parliament for a further grant, the Admiralty and the Treasury agreed in thinking that the

difficulty might be met by a further reduction in the armament outfit of one of the Australasian vessels, that is to say, by withdrawing certain ammunition (value of 4,034 *l.*) from one of the vessels now acting as tender to the flagship on the Australian Station, and transferring it to Normal Navy Stocks at Sydney, payment for the returned ammunition being made out of Vote 9 (1893-94), and relief thus afforded to Imperial Defence Expenditure. Your Committee, feeling the force of the objection to this mode of adjustment, caused inquiry to be made, the result of which was a further correspondence between the Treasury and the Admiralty, which the Comptroller and Auditor General has perused. He regards a part of the explanation given by the Admiralty as really an afterthought, to the effect that the withdrawal of the stores from the ship in question, the "Mildura," would tend towards placing her on an equality with her sister ship, the "Wallaroo," as even that withdrawal would not suffice to remove the existing inequality between the two vessels in this respect. He therefore adheres to his opinion that the adjustment would be irregular, and that the satisfactory course would be to obtain sanction of Parliament to the excess.

App. 3.

Q. 2320.

On the other hand, the Treasury explained to your Committee that it was an oversight to put on board the "Mildura" stores which the Defence Fund could not afford to supply, but that the Fund could not be increased beyond the statutory limit of 850,000*l.* The error could be remedied in one of two ways, that is to say, Parliament might be asked to increase the Fund, or the stores might be withdrawn and used for ordinary naval services and charged to Navy Vote 9. The measure is admitted to be exceptional, but the circumstances are exceptional also. It is added that if the stores in question be earmarked to the "Mildura" and cannot be withdrawn, then there must be an excess to be reckoned, but not otherwise, and the latter course was proposed to be adopted, doubtless as being the easier. It was adopted overtly and was open to scrutiny by the Audit Department.

Q. 2322.

101. Your Committee hold that adjustments of this nature ought not to be made. It might be thought that the Fund being statutory, an Act of Parliament would be necessary to cover the excess, and that would be a cumbrous procedure for a case like this. Still it would have been possible to take a Vote in Supply for this excess, which would have been embodied in the Appropriation Act. This in the opinion of your Committee should have been the course adopted.

Q. 2330-33.

11 *July* 1894.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, 4th April 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Alpheus Morton.	Sir John Hibbert.
Mr. Buchanan.	Sir Arthur Hayter.
Mr. Hanbury.	Mr. Arthur O'Connor.

The Army Appropriation Account, 1892–93, was considered.

Mr. *R. H. Knox*, C.B., Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 11th April 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Sir Arthur Hayter.
Mr. Alpheus Morton.	Mr. Cameron Corbett.
Mr. Hanbury.	Mr. Arthur Williams.
Sir John Hibbert.	Mr. Buchanan.
Mr. Arthur O'Connor.	Mr. Bartley.
Mr. Mowbray.	

The Army Appropriation Account, 1892–93, was further considered.

The Army Stores, the Military Forces Localization, the Barracks Act, 1890, the Imperial Defence Act, 1888 (Ports and Coaling Stations), and the Army (Ordnance Factories) Appropriation Accounts, 1892–93, were considered.

Mr. *R. H. Knox*, C.B., Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 18th April 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Alpheus Morton.	Mr. Mowbray.
Mr. Arthur O'Connor.	Mr. Buchanan.
Mr. Hanbury.	Mr. Cameron Corbett.
Sir Arthur Hayter.	Mr. Webb.

The Navy Appropriation Account, 1892–93, was considered.

Sir *Gerald FitzGerald*, K.C.M.G., Mr. *H. F. R. Yorke*, Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 25th April 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.
Mr. Alpheus Morton.
Mr. Arthur O'Connor.
Mr. Hanbury.
Sir John Hibbert.
Sir Arthur Hayter.
Mr. Mowbray.
Mr. Philip Stanhope.
Mr. Buchanan.
Mr. Bartley.

The Navy Appropriation Account, 1892–93, was further considered, and further consideration postponed.

The Naval Defence Act, 1889, 1892–93, was considered.

Sir *Gerald FitzGerald*, K.C.M.G., Colonel *Thales Pease*, C.B., Major *Pilkington*, R.E., Mr. *E. W. Hamilton*, C.B., Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Half-past Two o'clock.

Wednesday, 2nd May 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.
Mr. Alpheus Morton.
Mr. Arthur O'Connor.
Sir Arthur Hayter.
Mr. Cameron Corbett.

The Navy Appropriation Account, 1892–93, was further considered, and further consideration was further postponed.

The Imperial Defence Act, 1889, Account, 1892–93, was considered, and further consideration postponed.

The Greenwich Hospital and Travers' Foundation Account, 1892–93, was considered.

The Navy Stores Accounts, and the Navy Dockyard Expense Accounts, 1892–93, were considered, and further consideration postponed.

The Navy Victualling Yard Manufacturing Accounts, 1892–93, were considered.

Sir *Gerald FitzGerald*, K.C.M.G., Mr. *G. T. Lambert*, Mr. *W. G. P. Gilbert*, Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 9th May 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Hanbury.
Sir John Hibbert.
Sir Arthur Hayter.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Buchanan.

The Committee deliberated.

Motion

Motion made, and Question put, That details be given by the Admiralty Department (1) of Class 4, Vote 11 (viz., Expenses incurred on account of Her Majesty and the Royal Household), and (2) so much of Class 7 as comprises "Expenses of Ceremonies attendant on the Launching of Her Majesty's Ships (as shown on page 97 of the Navy Appropriation Account, 1892–93")—(Mr. *Alpheus Morton*).—The Committee divided:

Aye, 1.	Noes, 4.
Mr. Alpheus Morton.	Mr. Hanbury. Sir Arthur Hayter. Sir. John Hibbert. Mr Mowbray.

The Navy Stores Account, and the Navy Dockyard Expense Accounts, 1892–93, were further considered.

The Chelsea Hospital Account, 1892–93, and the Army Clothing Factory Account, 1892–93, were considered.

Mr. *H. F. R. Yorke*, Colonel *Frederick V. G. Bird*, Colonel *Thales Pease*, C.B., Mr. *Gordon Miller*, Major General *E. A. Stuart*, Mr. *R. H. Knox*, C.B., Mr. *G. Fleetwood Wilson*, C.B., Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday, 23rd May, at Two o'clock.

Wednesday, 23rd May 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Mr. Mowbray.
Mr. Alpheus Morton.	Mr. Philip Stanhope.
Mr. Arthur O'Connor.	Mr. Buchanan.
Sir John Hibbert.	

The Army Appropriation Account, 1892–93, was further considered.

The Army (Ordnance Factories), and Civil Service Appropriation (Class I.) Accounts, 1892–93, were considered.

The postponed paragraphs of the Navy Appropriation Account, and Imperial Defence Act, 1888 (Naval Section), were further considered.

Mr. *William Anderson*, M.I.C.E., Mr. *R. H. Knox*, C.B., Mr. *H. W. Primrose*, C.S.I., Mr. *E. W. Hamilton*, C.B., Sir *Gerald FitzGerald*, K.C.M.G., Mr. *Gordon Miller*, Sir *Charles L. Ryan*, and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 30th May 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Sir Arthur Hayter.
Mr. Alpheus Morton.	Mr. Mowbray.
Mr. Arthur O'Connor.	Mr. Buchanan.
Mr. Hanbury.	Mr. Arthur Williams.
Sir John Hibbert.	

The Civil Service Appropriation Account, Class II., was considered.

Motion made, and Question put, That the Account of Vote 1 be approved—(Sir *John Hibbert*).—The Committee divided:

Ayes, 8.	Noe, 1.
Mr. Buchanan.	Mr. Alpheus Morton.
Mr. Hanbury.	
Sir Arthur Hayter.	
Sir John Hibbert.	
Mr. Mowbray.	
Mr. Arthur O'Connor.	
Mr. Arthur Williams.	
Mr. Webb.	

The remaining Votes of Class II. were considered.

Mr. *Monkhouse*, Mr. *T. D. Pigott*, C.B., Sir *Charles L. Ryan*, K.C.B., and Sir *Edward Hamilton*, K.C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 6th June 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Mr. Arthur Williams.
Mr. Alpheus Morton.	Mr. Buchanan.
Sir John Hibbert.	Mr. Arthur O'Connor.
Sir Arthur Hayter.	Mr. Philip Stanhope.
Mr. Mowbray.	

The General Report of the Comptroller and Auditor General on the Civil Service Appropriation Accounts, 1892–93, and Class III. of the Civil Service Appropriation Accounts, 1892–93, were considered.

Sir *Charles L. Ryan*, K.C.B., Sir *Edward Hamilton*, K.C.B., Mr. *Alfred Pike*, and Mr. *G. H. Tripp*, were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 13th June 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Sir John Hibbert.
Mr. Alpheus Morton.	Mr. Buchanan.
Mr. Arthur O'Connor.	Mr. Arthur Williams.
Mr. Bartley.	Mr. Stanhope.

The Civil Service Appropriation Accounts, 1892–93, Classes IV. and V., were considered.

Mr. *H. W. Simpkinson*, Mr. *H. Craik*, C.B., Mr. *H. A. W. Hervey*, Sir *Charles L. Ryan*, K.C.B., and Sir *Edward Hamilton*, K.C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 20*th June* 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Alpheus Morton.	Sir John Hibbert.
Mr. Arthur O'Connor.	Mr. Mowbray.
Mr. Hanbury.	Mr. Bartley.

The Civil Service Appropriation Accounts, 1892–93, Classes VI. and VII., and the Revenue and Post Office Accounts, and the Consolidated Fund, Treasury Chest, Local Loans Fund, Civil Contingencies Fund, and the Woods, Forests, and Land Revenues Accounts, 1892–93, were considered.

Mr. *C. J. Maude*, Colonel Sir *Colin Scott-Moncrieff*, K.C.M.G., C.S.I., Mr. *E. D. Berkeley*, Mr. *Henry J. Gardner*, Mr. *A. Turnor*, C.B., Sir *Charles L. Ryan*, K.C.B., and Sir *Edward Hamilton*, K.C.B., were examined.

[Adjourned till Wednesday next, at Three o'clock.

Wednesday, 27*th June* 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Mr. Mowbray.
Mr. Alpheus Morton.	Mr. Buchanan.
Mr. Arthur O'Connor.	Mr. Bartley.
Mr. Hanbury.	Mr. Stanhope.
Sir John Hibbert.	Mr. Arthur Williams.

The Committee considered the question of Independent Stock-taking.

Sir *Charles L. Ryan*, K.C.B., and Mr. *G. L. Ryder*, C.B., were examined.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 4*th July* 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Alpheus Morton.	Mr. Webb.
Mr. Mowbray.	Mr. Buchanan.
Sir John Hibbert.	Mr. Arthur O'Connor.
Sir Arthur Hayter.	

DRAFT REPORT, proposed by the *Chairman*, read the first time, as follows:

"INDIAN HOME EFFECTIVE CHARGES.

"1. YOUR Committee have had under consideration the point noticed by their predecessors in 1893, regarding the delay in determining the capitation rate for each man on the Indian establishment (excluding deferred pay), which has been temporarily taken at 7*l.* 10*s.* This is again mentioned in the preliminary portion of the Comptroller and Auditor General's Report. Your Committee are informed that this rate has actually been determined as a *modus vivendi* between Q. 138.

between the War Office and the Treasury, though both authorities reserve their right of proposing future modification. This was recommended by Lord Northbrook's Committee. It
Q. 141. seems important that the matter should be definitely settled.

"VOTE 5.

"GRATUITIES TO VOLUNTEERS INJURED BY RAILWAY ACCIDENT.

Q. 157. "2. In paragraph 9 of his Report, the Comptroller and Auditor General remarks that a sum of 244*l.* 13*s.* was paid in gratuities to certain volunteers injured in a railway collision who had already received compensation from the railway company. The War Office hold that the men are entitled, under the regulations, to the gratuities, irrespective of any compensation obtained or obtainable otherwise; and this does indeed accord with the strict interpretation of the regulations. Your Committee, however, apprehend that to some extent in this case pecuniary reparation has been allowed twice over; that before granting gratuities in such cases the War Office should be informed of and take into consideration any compensation that may have been awarded from sources other than the State, and that the regulation should be modified with this view.

"NEW DECORATIONS FOR VOLUNTEER OFFICERS.

"3. From paragraph 24 of the Comptroller and Auditor General's Report, it is observed that a sum of 3,000*l.*, not included in the Estimates, has been expended for this purpose, and has been met out of savings (*see* page 67 Appropriation Account) on the same Vote, with Treasury sanction.

"Your Committee have considered whether the Treasury was right in thus sanctioning the expenditure. It is to be remembered that in this case the urgency contemplated by the terms of the Appropriation Act, Section IV., is not strictly applicable, inasmuch as the savings are
Q. 229. within the Vote, and the purpose is cognate to the service for which the Vote was intended.

"Still, there might be a question whether this item should not have been presented in a Supplementary Estimate, as the particular service was new.

"Your Committee find, however, that the service, though unforeseen when the Estimate was prepared, was yet foreseen when the Vote was taken. For the intention of giving the decoration was explained to the House of Commons on 10th June 1892 (Parliamentary Debates, Vol. 5, Col. 782) when the Volunteer Vote was under discussion in Committee of Supply, and seemed to meet with general approval. Under these circumstances your Committee consider that the course taken by the Treasury was justifiable.

"VOTE 6.

"TRANSPORTS AND REMOUNTS.—ADEN DEFENCES ACCOUNT.

Q. 271. "4. In accordance with the principle laid down by the Public Accounts Committee in 1890, the Comptroller and Auditor General declined to pass for allowance a charge to Army Votes of a sum of 3,344*l.* 13*s.* 4*d.*, which had no other basis than a record of indebtedness to India in the
Q. 275. War Office Ledger (*see* paragraph 10 of his Report). This had reference to the freight of stores in connection with the Defences of Aden. The War Office has accepted the disallowance as operative against the Imperial Defence Loan Accounts to which the transaction actually relates, and the Comptroller and Auditor General concurs in this. Your Committee approve of the charge against the Vote being retained accordingly.

"VOTE 7.

"RENT OF RIFLE RANGE AT CHIPPING, LANCASTER.

Q. 307. "5. A payment of 300*l.* in respect of rent for one year has been included under (Sub-Head E.), Vote 7, for the rifle range at Chipping. This is noticed in paragraph 11 of the Comptroller and Auditor General's Report. The War Office had informed the Treasury that
Q. 315. 1,600*l.* would be required for preparing the range. It subsequently appeared that this sum would be greatly exceeded, amounting even to 3,200*l.* The Treasury was not aware of this when sanctioning the rent. When it came to their knowledge they remarked that the proposed term of lease, 21 years, would not be long enough, and suggested a term of 99 years, which is now being arranged. There was doubt as to whether the Treasury sanction had been given with a due knowledge of the facts, and therefore the Comptroller and Auditor General adverted to the matter. But now that the Treasury express themselves to be satisfied he has nothing
Q. 319. further to urge, and your Committee consider that the matter may pass.

"VOTE 8.

"'CASUAL DIFFERENCE' INADEQUATE AS 'EXPLANATION.'

Q. 337. "6. The Comptroller and Auditor General, in paragraph 12, notices what he regards as inadequate explanations from the War Office of the differences between estimated and actual receipts, especially with reference to the too frequent occurrence of the term 'casual.' The matter

matter has been dealt with by the Treasury (*see* their letter of 30th December 1893). In one instance an excess appears to have been due, according to the War Office, to payments in one year for contracts not completed in the previous year, while no mention is made of increased purchases in order not to lose advantage of favourable prices, to which purchases the deficit had been ascribed in a Treasury Minute. Your Committee have impressed on the War Office the importance of explicitness in explanations, and the avoidance of merely general terms such as casual. They observe, however, that in many cases either the variations to be explained have been but slight, or else the service itself is of a somewhat indefinite nature.

"VOTE 9.

"INSPECTION AND PROOF OF STORES.

"7. The Comptroller and Auditor General notices, in paragraph 13, that a Balance Sheet which he requires has not yet been furnished. Your Committee in 1893 impressed upon the War Office the necessity of early compliance with this requirement. There has been some delay in this matter. The Comptroller and Auditor General reported it to the Committee of Public Accounts last year, and the Committee concurred. The Treasury issued a Minute accordingly, but the War Office still held the matter under consideration. Your Committee assume that there will be no further delay. Q. 370. Q. 450.

"BRENNAN TORPEDO FACTORY.

"8. Your Committee, recognising the expediency of an account being presented which shall afford to Parliament at least some general information without disclosing information prejudicial to the public service, have asked the War Office that this may be done. They now learn that the Secretary of State for War has ordered the preparation and submission of such an Account. Q. 377. Q. 209.

"PRODUCTION VOUCHER.

"9. The Comptroller and Auditor General, in paragraph 16, drew attention to defects in the system under which the cost of certain services was recovered. Your Committee now learn that arrangements for rectifying such defects have been set in operation. Q. 379.

"FREE GRANT OF STORES.

"10. Your Committee observe * that stores to the value of 3,520*l.* were given by the General Officer commanding at Malta for the relief of sufferers by the earthquake at Zante. This of course had not been provided for in the Votes, but was sanctioned by the Treasury under what are held to be its prescriptive powers. Under these circumstances the Comptroller and Auditor General did not deem it necessary to raise objection. It is to be remarked that this case came to his knowledge through a note on the Appropriation Account inserted by the War Office. He states that it is not always possible for him to have a knowledge of the distribution of stores. At the same time even without the note he might have known of the matter, had he been charged with the examination of store accounts in absolute detail; but as a matter of fact his check upon the store accounts is a test examination of a very limited character. This consideration raises a separate question, inasmuch as the amount in value, though actually small, might conceivably have been much larger. Meanwhile your Committee consider that as the charge does not belong to the Army Votes, the proper course would have been to transfer it to the Civil Services, presenting a Supplementary Estimate for the amount. In justice, however, to the Treasury it should be mentioned that, in their view, as it was unnecessary to replace these stores a Vote for them was unnecessary also; further as the gift of them was made on the responsibility of Army Officers exclusively, it seemed *primâ facie* more appropriate to leave the record of the transaction in the Army Account. Q. 390. Q. 415. Q. 427.

"APPROPRIATIONS IN AID.—PROCEEDS OF SALE OF OLD STORES.

"11. The Comptroller and Auditor General, in paragraph 17 of his Report, draws attention to a succession of deficits. The last of these is inadequately explained by 'the exhaustion of stocks of old material at Woolwich.' Your Committee have pressed this matter on the attention of the War Office.

"VOTE 10.

"ORDNANCE STORE BUILDINGS, WEEDON.

"CAPE TOWN MAIN BARRACKS.

"12. The Comptroller and Auditor General (paragraph 18) notices that a sum of 452*l.* 18*s.* 2*d.* was applied to arm racks at Weedon out of monies provided for sheds. This was sanctioned by the Treasury on the obviously proper condition that the Committee of Supply in the House of Commons should be informed of the substitution before the Vote came up

* *See* note on page 39 of the Appropriation Account.

up for discussion. It appears, however, that no note to this effect was either circulated or appended to the Estimates, nor was any verbal statement made. Your Committee find, on inquiry, that there was no valid reason for this omission, and the War Department has expressed its regret, as will be seen from Mr. Brodrick's letter in the Appendix. The Comptroller and Auditor General has not been able to report this sum for allowance. Your Committee consider that under the circumstances it should now be passed.

Q. 474–5.

"13. The Comptroller and Auditor General (paragraph 20) noticed that a sum of 1000*l.* for Cape Town Main Barracks was charged to the Reconstruction Loan Fund instead of to the Votes, and held that the classification should follow the Parliamentary Estimates. On further inquiry, however, your Committee find that both he and the Treasury are content that, under the circumstances, the charge shall remain against the loan. Your Committee are prepared to concur in this.

Q. 404–5.

"PAYMENTS NOT MADE IN THE FINANCIAL YEAR.

"14. In paragraph 19 the Comptroller and Auditor General refers to certain purchases of land wherein payment was made to the agents but not the principals within the financial year; or in other words, where payment has been brought to account in the financial year 1892-93, although the title of the War Department was not completed, and possession of the land was not obtained until after the end of the year.

"Your Committee recognise the general rule to the effect that, in accounting for public expenditure, the date of an order for payment governs the date of charge. But they agree with the Comptroller and Auditor General in considering that this rule is not applicable when the order for payment, though drawn before the 31st March, has been issued not to the vendor or payee but to an agent of the Accounting Department, and has only reached the former on the maturity of his claim in the succeeding financial year.

"The total of the payments involved amount together to the sum of 1,427*l.* 4*s.* 4*d.*, which not having properly come in course of payment within the year 1892–93, cannot, in the opinion of the Comptroller and Auditor General, be reported for allowance in the accounts for that year.

Q. 550–552.

"Your Committee consider that the amount must accordingly be disallowed.

"PAYMENTS TO OFFICE OF WOODS.

"15. The Comptroller and Auditor General notices, in paragraph 21 of his Report, some exchanges of land between the War Office and certain railway companies. Your Committee observe that there are no official means whereby transactions relating to exchanges of land are required to be brought under the cognisance of Parliament, unless some expenditure of money is involved, and that the security afforded by authoritative sanction rests only with the Treasury.

Q. 571–2.

Q. 602.

"16. Your Committee notice, on page 14 of the Appropriation Account, that a sum of 617*l.* 19*s.* 8*d.* was incurred for inquiries in the New Forest and elsewhere regarding rifle ranges. If it were thought that special sanction should have been obtained from Parliament, your Committee would observe that the general subject to which this expense relates was separately reported on to Parliament at the time, in June 1892. (*See* Parliamentary Paper 247 of 1892.)

"VOTE 15.

"PENSION FRAUDS.

"17. The Comptroller and Audltor General, in paragraph 23, draws attention to certain Pension Frauds in New South Wales. These cases have been dealt with by the Colonial Government. Your Committee observe that the War Office, with a view to prevention in future, overhaul a certain portion of the Pension Lists every year by making the most detailed inquiries.

Q. 623.

"VALUATION OF RESERVE STORES.

"18. Your Committee observe that the Comptroller and Auditor General reports that a test of limited character has been applied with satisfactory results.

"STORE ACCOUNTS OF THE ARMY.

"REGIMENTAL EQUIPMENT ACCOUNTS.

Q. 659.

"19. In paragraph 4 of the Comptroller and Auditor General's Report he observes that, in reference to the unexpended value of stores in Regimental Equipment Accounts, further facilities are needed for satisfactory examination. Your Committee learn that this matter is under the consideration of the War Office, but will not be concluded this year.

"20. The

" 20. The Comptroller and Auditor General, in paragraph 5, adverts to serviceable articles of equipment being prematurely returned into store. Your Committee find that there were faults in this respect on the part of individual officers, but that some improvement in system have been introduced to prevent a recurrence of such errors. Your Committee have impressed upon the War Office the necessity of watchfulness in these particulars. Q. 677. Q. 682.

" Stores Issued on Repayment.

" 21. In paragraph 6 the Comptroller and Auditor General states an objection against the average price of different classes of stores disposed of in the aggregate, being adopted as a basis for charging for stores of one description only. Your Committee learn that the War Office have satisfactorily met this objection. Q. 687.

" Transfer of Stores to Admiralty.

" 22. In reference to paragraph 7 of the Comptroller and Auditor General's Report, your Committee observe that the Admiralty obtained from the War Office serviceable stores at a value fixed very much below the nominal price. It appears that these stores were useless to the department selling, and were bought by the other department at a very low price, one-tenth of the originally assumed value, although they turned out afterwards to be capable of being utilised as good stores. This involves a question regarding the valuation of these stores in the Receiving Department, to which point your Committee will advert further on. Q. 700.

" Stock-taking.

" 23. The Comptroller and Auditor General reports (paragraph 8) that during 1892 stock has been taken at Woolwich by the officers approved by the Treasury. This stock-taking is independent as respects the local administrative departments, being undertaken by the War Office. The question as to whether there should be a stock-taking independent of the War Office itself is a different matter. Your Committee observe that the Treasury do not seem to have been disposed to regard this as necessary. Q. 722. Q. 743.

" MILITARY FORCES LOCALIZATION.

" 24. This Account does not require any remark from your Committee. Q. 772.

" BARRACKS ACT, 1890.

" 25. The Comptroller and Auditor General, in paragraph 5, doubted whether a small sum of 139*l.* 15*s.* 7*d.* should not be transferred to the Army Vote. But under the explanation offered by the War Office he thinks it may remain in this Loan Account. Q. 779–780.

" IMPERIAL DEFENCE ACT, 1888.

" Ports and Coaling Stations.

" 26. Your Committee observe that there is a disallowance of 566*l.* in reference to the Aden Defences, that the War Office accepts this disallowance, and that there is now an agreement between them and the Comptroller and Auditor General on the item. Q. 784.

" ARMY (ORDNANCE FACTORIES) APPROPRIATION ACCOUNT.

" 27. Your Committee observe that on the total account for 1892–93 there was an excess expenditure of 101,000*l.* But the irregularity has been covered by an Excess Vote. Q. 802.

" 28. In his paragraph 4 the Comptroller and Auditor General adverts to an excess of 13,587*l.* 15*s.* over the anticipated expenditure upon machinery. It is clear that the Treasury sanction was needed. Your Committee learn that this will be obtained in future; and the presentation of an Excess Vote to Parliament, which had the approval of the Treasury and covers this transaction, has rectified the irregularity for the present. Q. 804–7. Q. 808.

" CHELSEA HOSPITAL.

" 29. In paragraph 5, the Comptroller and Auditor General observes that as the Hospital Commissioners have augmented revenue from rents of a portion of the Gordon House property, and applied it in additional bounties to the in-pensioners, there might be a question whether a corresponding

corresponding reduction should not be made in the provision of pay for these pensioners now inserted in Army Vote 15. Your Committee learn in reference to this that the penny which the Commissioners received from the public was held to be inadequate, and that therefore a penny
Q. 2016. was added from the private funds of the Hospital. The Treasury after inquiry are satisfied on this point, and your Committee would leave the matter as it stands.

" 30. Your Committee observe that the Commissioners have a capital of 79,000*l.*, mainly
Q. 2043–45. prize money, to which additions have been made from rent and other sources, and that no withdrawals excepting rent money have been made.

" ARMY (CLOTHING FACTORY) MANUFACTURING ACCOUNTS.

" 31. In paragraph 3, the Comptroller and Auditor General draws attention to a store surplus being set off against a Factory deficiency (Pimlico). It appears that in balancing the number of garments which had passed through the repairing and altering room of the Factory
Q. 2059. in the three years ended the 31st March 1893, it was found that out of 171,000 new and part worn great coats, 264 could not be traced as either in hand, or as having been acknowledged as received back by the store on completion of the work required. The deficiency can only be accounted for on the supposition that although the coats were duly returned to store, the usual receipt voucher was not made out. The store stock-taking in July 1892 showed a surplus of 125 great coats. This surplus, however, still left a net deficiency, which represents a loss of so many great coats, disappeared somehow. These surplus great coats were set off against a deficiency, and the remainder were charged against the Factory balance sheet.

" 32. Your Committee observe that this explanation is not actually satisfactory, as it implies a defective check. But the departmental authorities made every effort to clear up the deficiency. It is to be hoped that the annual, instead of the triennial, stock-taking which has
Q. 2060. now been arranged may prevent any recurrence of such faults.

" ARMY ORDNANCE FACTORIES (MANUFACTURING ACCOUNTS).

" 33. In the first three paragraphs of his Report the Comptroller and Auditor General states, in reference to the system of the Manufacturing Accounts, that several important matters still await the decision of the Departmental Committee, the financial records being meanwhile unsatisfactory; that there are certain items of imperfect accounting still left uncorrected; that no definite advance towards a settlement has been made, and that consequently, in certain cases, he has no means of ascertaining that articles paid for in the various stages of manufacture are duly recorded in the store ledgers of the Factories. Dr. Anderson, the Director-General, explains that the difficulty with regard to connection between payments for piece-work
Q. 2152. and the record of articles produced in what he terms piece-work ledgers, would be very costly
Q. 2156. and troublesome to establish. The War Office adds that under such circumstances the accounts would never come out. They would not be obtained in sufficient time to settle the Appropriation Accounts of the Army and Navy.

" 34. Your Committee, in reference to these points, have inquired into the progress made by this Departmental Committee in its work. Dr. Anderson, as head of the Department, is also president of this Committee, some members of which are his own principal officers. He
Q. 2098. thinks that perhaps two years may elapse before its proceedings are completed. He apprehends that nothing can be done to expedite the work of the Committee because it involves changes in the administration of the Factories, and because there is always extreme difficulty in
Q. 2114. making changes while the Factory is in full work. Decisions of the Committee are carried
Q. 2115. out at once upon their being settled, and the introduction of such changes can only be effected with deliberation. Moreover, the departmental officers do not always agree with the Comp-
Q. 2117. troller and Auditor General regarding the alterations. They think that an increase of staff costing perhaps 20,000*l.* a year would be needed to carry out all that the Comptroller and
Q. 2148. Auditor General requires. The Treasury would be prepared to consider a proposal for
Q. 2143. increase, though doubtless within much narrower limits than the sum above mentioned. But the business would involve the tracing of progress of the work through extraordinarily minute stages.

" 35. Your Committee have suggested that the Comptroller and Auditor General should confer with the Departmental Committee regarding the points of difference between him and
Q. 2176. them. Still Dr. Anderson holds that a considerable time must be allowed, because there is difficulty in introducing changes in a complicated manufacture where men must be paid every week; and that every change must be so gradual that the necessary checks week by week should not be disturbed, If the Factory could be stopped altogether and start upon a new system, the thing would soon be done. But with an old system he thinks that anything of a
Q. 2180. violent nature would only lead to confusion.

" 36. Thus your Committee see no alternative but to be content with urging Dr. Anderson and his Committee to use all possible expedition in conference with the Comptroller and Auditor

Auditor General. But your Committee must observe that no pains should be spared to settle this matter properly in time of peace. For if emergencies should arise, while it is still short of being thus settled, existing difficulties would be aggravated as well as multiplied, and the ultimate uncertainty of accounting would be proportionately augmented.

" 37. Meanwhile your Committee note that the Comptroller and Auditor General is able to make the audit much more satisfactory than it used to be at the outset, and that the improvements already effected have enabled him to follow the accounts more closely than before, though links are still wanting to enable him to trace the expenditure through. In reference to the allocation of day-work to items of production remaining withou independent verification, your Committee learn that this defect has been remedied, and that independent work-taking has now been introduced into the Laboratory. Q. 2174-75. Q. 2118.

" 38. In reference to the Royal Gun Factory, your Committee observe that there is now a centralisation of Factory records, whereby the manipulation of accounts within the several Factories is rendered impossible; while independent work-takers keep an independent record of all the labour expenditure that goes on in each one of the Factories. The centralisation is now completed at Woolwich, but not at Enfield Small Arms Factory, nor at Waltham Abbey. Your Committee trust that these remanets will be disposed of, and that centralisation may make matters more perfect than at present. Q. 2182. Q. 2183.

" 39. In reference to the stock-taking of semi-manufactured Remain at the Royal Gun Factory, your Committee observe that last year this was carefully done for the first time, the Factory being temporarily closed for the purpose. Discrepancies had become apparent which were assumed to be traceable to errors in the earlier Remain; and the number shown in that Remain were altered so as to balance the account. This is, *primâ facie*, objectionable, but Dr. Anderson explains that it was owing to the imperfect stock-taking of the Remain. Hence the base line of the calculation of March 1892 was assumed to be erroneous. On further examination he states that this, taken as an original *datum*, was only an estimate. The value of the Remain, he adds, is only an estimate in all cases, and it is difficult to assign a value to semi-manufactures. He is confident, however, that from this year the *datum* line will be trustworthy, from which to start the estimates, owing to improvement in stock-taking. Your Committee trust that in his next Report the Comptroller and Auditor General will be able to state that this foundation line has been accurately laid. Q. 2185. Q. 2187. Q. 2190. Q. 2191. Q. 2200.

" 40. In the Royal Gun Factory, respecting adjustments of half-wrought material in departmental store ledgers, an explanation was asked for by the Comptroller and Auditor General. In reply, the War Office admit the occurrence of various errors, and indeed considerable discrepancies. These errors are not, however, in the accounts of the Remain but in the records of issues. There appears to be no fault in the stock-taking, which is done by the War Office independently of the Factory, so far as it goes. This is, however, a test stock-taking only, and not a complete one. But the Comptroller and Auditor General does not think it need be enlarged at present. Q. 2214. Q. 2209. Q. 2213.

" 41, Your Committee have inquired more particularly how these errors arose. In some cases they are attributed to mistakes made in appropriating material. A precept is sent to a workshop for certain materials, and a mistake occurs in the record of the issues. The mistake may arise from the way the materials were allocated to a particular work. One cause of difficulty is, that the allocation of the work has to be frequently changed; and that, too, as between the guns made for the Army and for the Navy. In one case, that of iron forged billets, there was an error in the store accounting by which, though the billets were actually issued, the issue was not recorded. Apparently there is nothing, save the vigilance of the officials, to prevent issues being thus made of other articles, possibly to a considerable extent. Dr. Anderson is, however, confident that this vigilance is so exerted that recurrence of such faults will be avoided. Q. 2216. Q. 2218. Q. 2227. Q. 2234.

" 42. In the Torpedo Factory the same question arises as that already discussed in reference to the other Factories, and to the system known as that of piece-work ledgers. Ordinarily the Comptroller and Auditor General might desire to see this applied to the manufacture of torpedoes. But Dr. Anderson thinks that it could not be applied here because of the enormous number of the parts of a torpedo. He says that if, for instance, there are a thousand pieces of a torpedo, and each piece has five or six operations upon it, and if a separate record were kept for each piece and of each operation on it, then the amount of book-keeping would be appalling. Still he has a practical system for his own satisfaction, and your Committee have suggested tbat he should confer with the Comptroller and Auditor General, to see whether that much of system may not suffice to satisfy the Audit Department. Q. 2241. Q. 2249. Q. 2252.

" 43. Regarding the work-taker system in the Royal Laboratory, the Comptroller and Auditor General has called the attention of the War Office to a transaction which seemed to indicate that a certain duty still remained in the hands of the foremen, an arrangement which he evidently regarded as objectionable. The War Office have explained, in reply to your Committee, that the independent time-keepers, as they were formerly called, are now called work-takers and report direct to the Central Office. The Comptroller and Auditor General expresses himself as satisfied with this if it be properly carried out. Q. 2254.

" 44. In

" 44. In paragraph 10 of his Report the Comptroller and Auditor General adverts to an unexplained increase in the cost of certain shells. The question is still under inquiry by the Department. Meanwhile, your Committee observe that the explanation first offered relating
Q. 2257. to the price of steel was actually incorrect, and that such a mistake ought not to have occurred. Dr. Anderson replies that it occurred under the old *régime*, that is, before April last, when he
Q. 2260. took over the Royal Laboratory at the Central Office, and is confident that it will not
Q. 2265. recur, owing to the introduction of the central check.
Q. 2270. " Your Committee observe the discrepancies within the cost ledgers. The totals may be correct absolutely, but the details have been determined by estimates and revised estimates.
Q. 2276. The Department explain that this objection will not recur under the new system.

" 45. From paragraph 18 of the Comptroller and Auditor General's Report it appears that he was invited by the Treasury to make a comparison of Factory cost with Contractors' prices, and report to Parliament whether the results appeared to him to be satisfactory. But the Treasury attached the condition that he should withhold the particulars in deference to objec-
Q. 2277. tions raised by the War Office. Indeed the publication of such details might amount to a breach of faith with the contractors. The Comptroller and Auditor General has been unable to andertake this work because, as a Parliamentary officer, he must be at liberty to produce to Parliament any detailed reasons he may have for any conclusion. Otherwise a conclusion of his might be challenged, and he would be unable to adduce proofs for it. Your Committee
Q. 2279. accept the opinion of the Comptroller and Auditor General to the effect that it would not be desirable for him to undertake the duty under these conditions.

" NAVY APPROPRIATION ACCOUNT, 1892–93.

" General Remarks.

" 46. Your Committee observe that in page 152 of his Report the Comptroller and Auditor General states that the Treasury have postponed their sanction to the temporary application of surpluses to meet deficits until the outcome of the Naval Defence transactions in 1892–93 is declared. It appears that the Treasury will await the Report of your Committee on the whole
Q. 819. subject, having usually postponed their covering sanction upon the Navy Appropriation Account till Midsummer, or even later, this being the practice since 1889–90.

" 47. In paragraph 6 of his Report the Comptroller and Auditor General, after setting forth several surpluses in the Shipbuilding and Works Votes over six years, amounting in all to nearly 1½ millions, remarks that if a margin of saving potentially applicable to meet deficits elsewhere becomes normal, an inclination to less careful observance of the lines of expenditure set out in the Estimates, and covered by the Appropriation Act each year, may be engendered. Among the correspondence attached are Treasury letters (page 163) wherein it is observed that over-estimates prove to be habitual through a series of years, and therefore present the appearance, at least, of being deliberate—that constancy of over-estimate is the striking feature, suggesting the inference that these Votes may have been regarded as 'pools' to be drawn upon in aid of other Votes, as occasion arises.

" 48. Your Committee think that there is much gravity in these statements, and have made careful inquiries of the Admiralty on the subject, especially as the apprehension arises
Q. 857. that there might be a corresponding under-estimate of other Votes. They have not, however, been able to reach beyond what may be termed a general explanation. The obligation of framing the estimates of shipbuilding expenditure as accurately as possible is acknowledged. The causes of partial failure of the estimates are said to be the disturbances of trade during these years. For some years the shipbuilding was prosperous. In other years there were strikes and labour difficulties to prevent the contractors from actually earning the amount of
Q. 852. money which they stated 12 or 15 months beforehand they would be likely to earn. As to
Q. 853–4. fault. that is attributed to the contractors and to the circumstances of England at the time, but is not at all admitted on behalf of the Admiralty.

" 49. On the other hand, the Admiralty state that though there proves to have been over-provision owing to general causes such as the above, yet efforts have been made to bring about a closer approximation between estimate and expenditure, and that less sanguine estimates have been formed. Their desire is to make an honest estimate of each Vote, and, while avoiding undue risk of an excess on the aggregate of the Votes, to reduce as far as possible the probability of recurring excesses on particular Votes. In justice to them, your Committee have considered a statement of considerable sums surrendered on the whole account to the Exchequer during the years in question. These surpluses were surrendered at the end of the year, as the final outcome, after Treasury sanction had been obtained, to various transfers from
Q. 842. one Vote to another. Your Committee observe that this does not afford a complete or an exact answer to the remarks by the Treasury and Comptroller and Auditor General. But it does
Q. 847. show that the surpluses were often applied in the best manner, namely, in surrender, and not always in meeting deficiencies.

" 50. Your Committee have drawn attention to the power practically possessed by the Admiralty

Admiralty of keeping the contractors to working more than heretofore, in accordance with the estimates of the contract work submitted originally by the contractors themselves. Q. 887–897.

"51. Your Committee would add that in these important cases there is no question of regularity or legality respecting the sanction of the Treasury, as set forth in the Appropriation Act. The question is one only of administrative discretion. It is to be observed that in all Q. 916. transfers, that is, the defrayal of expenditure out of surpluses, urgency is implied by the words 'which it would be detrimental to the public service to postpone till provision can be made by Parliament.' Presumably the Treasury satisfied themselves upon the merits of the case for urgency, as made out by the Admiralty in these instances.

"Appropriations in Aid.

"52. The Comptroller and Auditor General adverts (paragraph 7) to the continuous deficiency in Appropriations in Aid, by reason of short payments from India, 77,000*l.* annually, on account of its share of the cost of the Naval Defence in Indian Waters. This matter has Q. 962–1019. long been under discussion with the Admiralty and the Treasury, and even some arbitration has been undertaken. Your Committee have pressed for speedy settlement.

"53. In reference to paragraph 8 of the Comptroller and Auditor General's Report, your Committee observe that there will be a permanent deficit as between the cost of Maintenance for Ships in Australian Waters, and the amount that can be charged by statute; in other words, Q. 1020. that the limit of 91,000*l.*, payable annually by the Colonies under the Naval Defence Act of 1888, exclusive of the interest for the outlay of the ships, will never cover the expense. Your Q. 1036. Committee understand that Parliament is prepared for this result; but the fact is manifestly an argument for economy in cost of maintenance.

"VOTE 2.

"Credit of Value of Cloth to Sub-Head M., Seamen's Clothing.

"54. In paragraph 9 the Comptroller and Auditor General adverts to a technicality arising upon the credit to debit sub-heads, in consequence of the clothing contractors having to take over material from the Government Stores. The correspondence is not yet completed, but the Comptroller and Auditor General informs your Committee that if the Treasury sanction the arrangement proposed by the Admiralty he has nothing to press further.

"VOTE 5.

"Royal Naval College, Greenwich.

"55. Your Committee observe (page 154) that a sum of 5,000*l.* was paid by the Admiralty to Greenwich Hospital as increased rent. This sum was sanctioned by Parliament on the recommendation of a Parliamentary Committee for a given year. But the need of this money had existed during the previous year, 1892–93, and when provision was made in the Estimates of the following year the Treasury sanctioned the payment for the previous year, considering that this came within the purview of the intention of Parliament. This was done under the condition that the charge should be met out of Savings (Vote 5, Educational Services). It Q. 1107. appears that additional money was wanted by Greenwich Hospital for pensions, and this was provided by obtaining from the Government an increased rent for the buildings. This Q. 1112. arrangement was, your Committee observe, within the general cognizance of Parliament. Q. 1114. Your Committee have considered the question whether ante-dating the concession allowed by Parliament, in other words, of giving retrospective effect, was regular, and whether further authority should have been specifically obtained from Parliament. They learn, however, that a Supplementary Estimate of Greenwich Hospital Income, explaining this addition of 5,000*l.*, was presented to Parliament in 1892; that Lord George Hamilton announced to the House of Commons on 9th June 1892 (Parliamentary Debates, Vol. v., col. 617) that the rent of 5,000*l.* per annum would take effect at once; and that this statement was repeated in the House by Mr. Ashmead-Bartlett on 20th June 1892 (Parliamentary Debates, Vol. v., col. 1580). The Treasury, therefore, were satisfied that the payment would accord with the wishes of Parliament.

"VOTE 7.

"Excess Expenditure arising from Payment of Compensation to Royal Naval Artillery Volunteers on Disbandment.

"56. Your Committee observe that a small sum of 1,000*l.* was taken because the report of a sub-committee on the subject had not been received. The 5,842*l.* now shown represents nearly all that is required; but still a slight amount will be needed for an individual

 officer,

officer, and for some other purposes in detail. A question might arise as to whether a more complete provision ought to have been made in the first instance; but it was perhaps prudent to provide only a small sum lest the expectations of officers should be unduly aroused.

Q. 1183.

"VOTE 8.—I.

"OVERTIME AT MALTA DOCKYARD.

"57. The Comptroller and Auditor General deemed it necessary to ascertain from the Admiralty whether existing regulations provide for securing systematic supervision. The Admiralty reply that overtime is resorted to only in cases of necessity, and that the attendance of salaried officers is constant when men are working overtime, and that the time of employment is noted by the recorders of work. Your Committee trust that in these respects the observance of the rules is the same at Malta as in the Home Yards.

Q. 1185.

"VOTE 8.—II.

"DEFICIT UNDER SUB-HEAD B.—METALS AND METAL ARTICLES.

"58. In the correspondence between the Comptroller and Auditor General and the Admiralty a technical matter has arisen out of which your Committee derive certain considerations. In page 155 some particular transactions are adverted to as being viewed with jealousy by the Public Accounts Committee, and as offering a temptation to Departments to spend savings. In the case under notice the Admiralty gave explanations, and obtained Treasury sanction to the exceptional expenditure. This sanction being explicit the Comptroller and Auditor General does not make further remark. But your Committee observe that the application was not made by the Admiralty to the Treasury till the last month of the financial year, when it was anticipated that there would be a surplus on the Vote. Your Committee observe that instances of this nature justify the watchful jealousy on the part of the Public Accounts Committee, as mentioned above.

Q. 1202.

Q. 1203-5.

"VOTE 8.—III.

"WAIVING OF CLAIM AGAINST CONTRACTORS.

"59. In paragraph 17 the Comptroller and Auditor General noticed the waiving by the Admiralty of a claim against contractors respecting unfinished work in the 'Blenheim.' Your Committee caused further consideration to be given to this matter. The Treasury communicated their approval to the Admiralty regarding what had been done. The Comptroller and Auditor has stated to your Committee that, having been to some of the Dockyards, and having seen the nature of the gratings, &c., which were supposed to be provided for in the specifications, he now considers that the claim has been rightly abandoned, and that his question is cleared.

Q. 2308.

Q. 2309.

"DEFICIT ON SUB-HEAD D., CAUSED BY PURCHASE OF VESSELS NOT PROVIDED FOR IN 1892–93.

"60. In page 155 the Comptroller and Auditor General, in reference to the purchase of an additional vessel for surveying, cites a passage from a Treasury letter to the effect that a particular service does not seem to be of so pressing a character as to warrant the use of the power of applying the savings of one Navy Vote in aid of another on its account. Your Committee have considered whether there was in this case a sufficient degree of urgency to justify the Treasury in sanctioning the expenditure. The explanation is rendered in these terms: 'Another vessel was required for surveying purposes.' 'The Admiralty considered that at the time several suitable vessels were offered for sale.' On this the Treasury sanctioned the charge being met out of savings. But, according to the view of the Treasury, a different or lesser degree of urgency is required in such a case as the present from that needed for the use of the powers under Section 4 of the Appropriation Act, which enables the Treasury to approve of the use of a surplus on one Vote to meet a deficit on another Vote. In the present case there was no question of exceeding a Vote; it was a question of exceeding a sub-head of the Vote only; and the Treasury held that a less degree of urgency was sufficient to justify an excess of that kind. Further, it is stated that this setting up of degrees in urgency is in no sense a new rule of the Treasury; it has existed ever since sub-heads have existed, that is, for about 30 years.

Q. 1218.

Q. 1220.

Q. 1225.

Q. 1224.

"61. The Comptroller and Auditor General considers that this case runs very near the line which separates non-urgency from urgency. Your Committee observe that the principle of urgency is derived from the Appropriation Act, and this is applicable to transfers from one Vote to another, but not specifically to transfers from one sub-head to another. It is to be noted that Vote 8 is divided into three sections, each of which is counted as a Vote. Thus it must be admitted that the sanction of transfers from one sub-head to another is at the discretion of the Treasury, if the service be clearly within the Vote.

Q. 1234.

"VOTE 9.

"NAVAL ARMAMENTS.

"62. Your Committee have considered whether there is due observance of the limits between the two kinds of expenditure known as 'normal' and 'Dockyard.' This matter will continue to be of importance until the accounts under the Naval Defence Act shall be wound up; but your Committee understand that the Comptroller and Auditor General watches over the practical observance of the distinction. Q. 1248.

"63. In reference to this, your Committee have noticed that contractors who were supplying projectiles and ammunition for the 'normal' service were not able to supply a sufficient quantity, or what they did supply was rejected, and consequently there was a surplus on the sub-heads. On the other hand, in regard to these articles for the 'Dockyard' service there was a deficit. Regarding this circumstance, the explanation offered is that the 'Dockyard' orders are under the Naval Defence Act, and those contracts were entered into in years previous to 1892–93, so the contractor got into the way of manufacturing the stores, and so precedence was given to the Naval Defence Act contracts in preference to the 'normal' orders, which were issued during the current year of 1892–93. Q. 1260.

"64. Your Committee consider that particular attention should be given to points of this character, while the accounts of the Naval Defence Act are still pending.

"ADVANCES TO CONTRACTORS ON GUNS OUTSIDE THE TERMS OF CONTRACT.

"65. In paragraph 20 the Comptroller and Auditor General adverts to the foregoing of certain interest possibly claimable from contractors, and to the adoption of a new form of contract. Your Committee have considered a letter written by the Admiralty to the Treasury on this subject. The Comptroller and Auditor General has not been able as yet to state anything definitely hereon, except that if the payments shall prove to come within a properly authorised contract form he will be satisfied. Your Committee now learn that the Treasury think the explanation sufficient to warrant the Public Accounts Committee in allowing the advances without charge of interest. The Comptroller and Auditor General concurs in this view, which your Committee are prepared to accept. Q. 1277–1278. Q. 2314–2317.

"RESPONSIBILITY FOR TEST AND INSPECTION OF NAVAL WARLIKE STORES.

"66. As regards the test and inspection of naval warlike stores, the Comptroller and Auditor General states that the result of the further consideration of the question has not yet been communicated to his Department. This matter was adverted to by the Public Accounts Committee last year. The Naval Ordnance Store Committee, which would deal with the whole subject was not able to sit during that year. Further arrangements have been made to ensure its sitting during the present year, and your Committee have urged that the particular point raised by the Comptroller and Auditor General should be dealt with as soon as possible. Nearly three years have elapsed since the Admiralty took over the direct responsibility for the administration of the Naval Armaments Vote, that is, since October 1891. But the Committee above mentioned had the point referred to it last year only, after it had settled the transfer of naval ordnance stores from the War Office at all home ports to the Admiralty. Q. 1312–1315. Q. 1320. Q. 1321.

"67. Your Committee have impressed on the Admiralty the desirability of having this matter settled during the present year.

"PRODUCTIONS AT THE ORDNANCE FACTORY, WOOLWICH.

"68. The Comptroller and Auditor General notes the necessity for a closer examination of the Production Voucher, as certain errors of under and over charges are admitted to have been made. He, however, expresses himself as satisfied that arrangements have been made to prevent the recurrence of such errors. Q. 1328.

"VOTE 10.

"WORKS—STEAM LAUNCH PURCHASED FOR WORKS DEPARTMENT.

"69. The Comptroller and Auditor General, referring to the purchase of a steam launch at Portsmouth for dredging, objected to the Admiralty's view both as regards authority and classification. He, however, accepts the Treasury authority, which was subsequently given, and waives the point regarding classification. In reference to the question whether this launch ought not to have been specifically entered in the detail of the Estimates, your Committee observe that this was actually arranged in the case of a launch at Devonport, and they consider that this should be done in all cases. They understand that it will be done in future. Q. 1356. Q. 1361.

"TRANSFER OF STORES FROM EXTENSION OF THE YARD AT PORTSMOUTH TO COMPLETING DOCKS.

"70. The Comptroller and Auditor General considers that the transfer between these two items ought not to have been made, because it was not an actual transaction, but merely a book Q. 1364. transaction. The stores were not transferred in 1892–93, and so the transaction should not have been recorded in the Accounts of that year at all. It appears that the Admiralty do not dispute the objection which was thus taken.

"OUTSTANDING CLAIM.

"71. There is a claim of the Admiralty on the Board of Trade for 7,800*l.* of rents due Q. 1391. from the Mercantile Marine Fund. This was brought to the notice of the Treasury in 1890, and the claim is held to be valid; but the Admiralty cannot hope to obtain payment at present. Your Committee observe that this fund is practically in the position of a creditor of the Exchequer, from which it receives every year a Grant in Aid in return for services rendered; Q. 1392. so any unsatisfied claim upon it would naturally be made by adjustment of the Grant in Aid. The Admiralty claim will be satisfied whenever the Grant in Aid is revised, because due provision will then be made for this claim, as possibly for other claims.

"NEW SUB-HEAD.

"COST OF VESSELS FOR LAKE NYASSA, &c.

"72. Your Committee notice that the cost of certain vessels made for patrol service on the Shiré River in South Africa has been charged to Navy Votes, although, in the opinion of the Admiralty, this service ought not to be included in the Navy Services on the ground that the cost of inland service in Africa ought not to be defrayed from Navy Votes, this service being distinct from and outside the purposes for which the Naval Funds are voted. In December last, however, the Treasury state 'The expenditure on these steamers is shown under a Q. 1411. special sub-head in Vote 11. As they were built and sent out by order of the Admiralty, and are navigated by officers of the Royal Navy under like orders, my Lords think it right that Q. 1415. Navy Votes should bear the charge of these vessels.' The Comptroller and Auditor General remarked that the present charges should be admitted against the Navy Votes, but he suggested that a separate sub-head should be raised for the purpose of the matter being laid before Parliament. In this view your Committee concur.

"DELAY IN REGARD TO REPLIES TO COMMUNICATIONS.

"73. The Comptroller and Auditor General draws attention to some delay, as he regards it, on the part of the Admiralty in answering his references so that he may be able to complete his cases before submitting his Report to Parliament. The Admiralty, to some extent, make rejoinder that these references are not always made in time to allow them to dispose of the technical points involved before the date for the submission of the Report. Your Committee have duly considered the dates on which these references were made and replied to. They trust Q. 1476. that further complaint in future will be obviated. Further, your Committee feel bound to observe that instances where the Comptroller and Auditor General reports that he has made references and not received replies, though far from frequent, are not so infrequent as might be desired. In consequence, the time of your Committee is sometimes occupied in inquiries which might have been saved had the replies been received in time. They hope that, on the one hand, the Comptroller and Auditor General will try, so far as practicable, to make the references in time for the authorities to inquire and reply before he reports, and that, on the other hand, the authorities, mindful of the obligation of the Comptroller and Auditor General to report to Parliament by a certain date, will endeavour to send their replies before that time.

"NAVAL DEFENCE ACT, 1889.

"UNAUTHORISED EXCESSES OF EXPENDITURE OVER STATUTORY ESTIMATES UNDER INDIVIDUAL SHIPS.

"74. The Comptroller and Auditor General, in paragraph 16, adverts to detailed Estimates for individual ships, and goes on to say that if these Estimates were not final, and if the new Estimates were necessary under Section 6 of the Naval Defence Act of 1893, such Estimates should have been submitted to the Treasury before any money was applied, in pursuance of the amending Act; that no such new Estimates were or have yet been put forward. He contends Q. 1487. that there has been, in connection with this, a distinct breach of the Act, which is admitted by Q. 1494. the Treasury.

"75. Your

"75. Your Committee learn from a Treasury letter of recent date, 16th April 1894, that the total of the revised Estimate was as follows :—

	£.
Building and completing 38 Dockyard ships - - -	9,441,747
Completing 32 Contract ships in Dockyards - - -	371,964
	9,813,711
Balance available for contingencies - - - -	186,289
Total Dockyard Shipbuilding Fund under Naval Defence Acts, 1889 and 1893 - - - - - - - -	£. 9,999,990

Or, in round numbers, 10,000,000*l.*

"The Treasury goes on to say, 'This Estimate is submitted in accordance with Section 4 of the Naval Defence Act, 1889, which has been applied by Part I. to moneys expended under the later Act, and my Lords approve of it accordingly. In strictness, the Estimate ought to have been submitted before any money was expended under the Act of 1893. This, however, would have been impossible, because expenditure requiring the ratification of that Act had been incurred before the Act was passed.'

"76. The Admiralty reserve the right, with Treasury sanction, to spend the balance of 186,289*l.* on all or any of the ships before the 31st March 1895, for the statutory purpose of Dockyard shipbuilding. The Treasury consider that, subject to the requisite provision being made in the Navy Votes, such an appropriation would be in accordance with the intention of Parliament in passing the Naval Defence Act of 1893. Q. 1488.

"The original Dockyard Shipbuilding Estimate of 8,650,000*l.* grew to 9,729,351*l.*, which sum is the total of 'the red-ink figures' referred to in the 54th paragraph of the Third Report of the Public Accounts Committee of 1891 as final.

"77. The Treasury then observe that 'the red ink-figures professed to be the finally revised Estimates submitted under the fourth section of the Act of 1889, and yet their amount made them extra-statutory; and before the total thereof could be legally applied to the statutory purpose of Dockyard shipbuilding further legislation was necessary. An amending Act was preferred by Her Majesty's Government in 1893. The question then arose to what extent the statutory Dockyard Shipbuilding Fund ought to be enlarged. It had been known for some time that 'the red-ink figures' would be exceeded. Accordingly, it was determined to ask Parliament to enlarge the Fund to 10,000,000*l.* This enlargement of the Fund, coupled with the embodiment of Section 4 of the Act of 1889 in the amending Act, made it necessary to present the revised Estimates which, inclusive of the unappropriated margin of 186,289*l.*, my Lords have now sanctioned.'

"78. In reference to the above, your Committee observe that these Estimates have been submitted according to the statute, but after the appropriation of the money. The Treasury Q. 1492. regard this as inevitable, full compliance with the amending Act being impossible. The same thing occurred in 1889. Before the Estimates were submitted some money had been spent, and similarly, in 1893–94 some money was spent on account of the augmented Fund before the Estimates had been submitted to the Treasury. Indeed, the Treasury view is that Parliament must have intended that the provisions to which the Comptroller and Auditor General draws attention were to be observed only as far as it was possible to observe them. Your Committee can only say that, under abnormal and difficult circumstances respecting audit and account, no effect should be spared to render compliance with the Act as nearly absolute as practicable.

"Treasury Naval Defence Account.

"79. The Comptroller and Auditor General remarks that there are certain omissions in the General Account prepared by the Treasury which render it complete as a continuous record of the Naval Defence Fund transactions. Your Committee learn that the Treasury was awaiting certain information which came too late for this Account, but this will be inserted in the next year's Account, which will be final and complete.

"DOCKYARD EXPENSE AND MANUFACTURING ACCOUNTS.

"Examination of Home Yard Accounts.

"80. The Comptroller and Auditor General, in paragraph 1, indicates certain errors in the books regarding quantities and values, and recommends the extension of the test comparison evenly over all the Yards, instead of over one or two Yards as heretofore. Your Committee learn that this will be done, and that the Treasury have approved the appointment of a special Q. 1937. officer for this purpose; he will be solely employed on these duties, and go round from one Yard to another, working in conjunction with the representative of the Director of Stores from the Admiralty, but independent of him. Q. 946.

"81. In

" 81. In connection with this, your Committee observe that if the two books, namely, the Store Ledger kept in the Store Department, and the Value Ledger kept in the Expense Q. 1957. Accounts Department are both accurate, the balances should agree. Nevertheless, owing to the multiplicity of transactions, discrepancies have occurred, which must be regarded as unsatisfactory. Your Committee, however, learn that these have been reduced every year till they become fractional in comparison with the amount involved. It is hoped that next year Q. 1961. the Comptroller and Auditor General will be able to report still further improvement.

Abolition of Conversion Balance Sheets.

" 82. In paragraph 6, the Comptroller and Auditor General adverts to the above subject as withdrawing certain points from the purview of his Department. It is explained that the abandonment of these Cost Accounts is experimental, and as such has received the covering Q. 1962. sanction of the Treasury. The Comptroller and Auditor General having visited officially the Q. 1966. Dockyards of Portsmouth and Devonport, will in his next year's Report deal more completely Q. 1966. with this subject, which is one of intricacy. It will not be possible for your Committee to embody their opinion in the present Report.

" Foreign Yard Accounts.

" 83. The Comptroller and Auditor General in paragraph 7 notices defects in the Stock Valuation Account at Malta. Your Committee learn that the same tests which have been Q. 1974. applied in the Home Yards will be extended to Malta. It is hoped that the application of the tests will lead to a rectification of the defects pointed out.

" PROGRAMME AND PERFORMANCE IN SHIPBUILDING.

" Sub-Head C.—New Vessels.—Further Programme.

" 84. In paragraph 15, the Comptroller and Auditor General adverts to departure from the Programme submitted to Parliament whereby the work upon the 'Magnificent' was not taken in hand in order to devote the labour to the more rapid completion of the Naval Defence Q. 1976. Ships. He further inquired whether Treasury sanction was obtained thereto, and whether fuller explanations should not be given respecting certain other variations from the Programme. Your Committee observe that in reply to a reference from him the Admiralty in effect maintain that within the limits of the Sub-heads of the Programme they are not subject to Treasury Q. 1977. control except in cases where ships not mentioned in the Programme are commenced. Referring to this, he proceeds to state his views in a Memorandum which will be found in the Evidence, respecting the examination according to Programme required by the Army and Navy Audit Act of 1889 (Section 1 (2). It is to have regard not merely to commission but also to omission of expenditure. If there has been less expended on a vessel an adequate explanation should be furnished for the variation, and similarly for excess expenditure on a vessel. He adverts to the difference between the Programme and ordinary estimates. For these estimates there is no legislative or statutory sanction, consequently it is only Treasury regulation which requires any following of the Estimate in detail. But the direction to the Comptroller and Auditor General to follow the Programme is statutory, and therefore one which does not lie either with Q. 1977. the Admiralty or the Treasury to be departed from without explanation being rendered. By the expression 'following the Programme,' your Committee understand that the Comptroller and Auditor General has to compare the particulars of the Programme with actual performance. The Treasury appear to appreciate the obligation of the Comptroller and Auditor Q. 1983. General to act upon this view, so far as reporting to Parliament is concerned.

" 85. Your Committee recognise the statutory obligation resting on the Comptroller and Auditor General to follow the Programme in the manner above described. But it seems Q. 1980-2. doubtful whether the sanction of Parliament could be obtained beforehand to alteration of detail. The Comptroller and Auditor General appears to think that this was not necessary and was indeed hardly practicable. In his opinion the point is that Parliament should be informed of the variation with suitable explanations, which is obtainable through the Account, and that by these means the earliest practicable information should be obtained.

" 86. Respecting the diversion of expenditure for the 'Monarch' to other ships, your Q. 1994. Committee understand that although explanations have not been given respecting the past, they are promised for the future.

" GREENWICH HOSPITAL AND TRAVERS' FOUNDATION.

" 87. Respecting the sum of 16,000*l.* mentioned in paragraph 1 of the Comptroller and Auditor General's Report, your Committee observe, although provision has now been made for Q. 1576-79. this sum in the Estimates, that a sum of 8,000*l.* was paid for six months in 1892–93, not by authority of Parliament, but by the Admiralty and the Treasury jointly out of the Navy Votes.

In

In reference to that a statement was presented to Parliament explaining the probable insufficiency of the Estimate for Naval and Marine Pensioners. After recital of the recommendations of the Select Committee, it is said, 'For this service no provision has been made, as the decision had not been arrived at when the Estimates were in course of preparation.' It is then explained that the 'excess that would be caused by paying 8,000*l.* over the half-year would be met either by the appropriation of savings from Navy Votes, or by means of a Supplementary Estimate.' Ultimately no Supplementary Estimate was deemed necessary. The Comptroller and Auditor General considers that the Admiralty and the Treasury had the power to make this appropriation. As this was a new service, your Committee consider that there might be a reason for inquiring whether a Supplementary Estimate should not have been submitted to Parliament. The answer would depend on the matter being within the four corners of the Vote. The Comptroller and Auditor General held that it was. Your Committee accept this view, observing, however, that the matter really belongs to the year 1893–94. Q. 1590. Q. 1592.

"INCOME ACCOUNT.

"88. In paragraph 7, the Comptroller and Auditor General virtually makes a requirement that there should be an Order in Council to enable the grants to be made to assistant masters out of an item of Income. He holds that these grants are of the nature of salary, being extra remuneration granted to salaried officers in respect of services performed in the ordinary course of duty. The solicitor to the hospital dissents from this view, holding that these amounts are not in the nature of salary, but are merely temporary payments, which can be terminated at any time if the boys fail to earn the grants. The money out of which these grants are paid does not belong to the hospital, but is allowed by the Science and Art Department. Your Committee consider that this view is right with reference to the terms of the Greenwich Hospital Act of 1865, which prescribes that the Admiralty may, subject to an Order in Council, fix the salaries. This implies that as these salaries must come from hospital funds, other remuneration from other sources would not fall under the Order in Council. Q. 1595.

"STORE ACCOUNTS OF THE NAVY.

"NAVAL STORES.

"VALUE OF STOCKS, 31ST MARCH 1893.

"89. The Comptroller and Auditor General, in paragraph 1, desires a statement under Vote 8, Part II., showing the causes that make for or against an equilibrium of stock annually. Your Committee learn that such a statement will be presented. Q. 1623.

"90. In reference to the valuation of stores transferred from the War Office to the Admiralty (*see* paragraph 21 of this Report), it is to be remembered that stores which are obsolete for Army purposes may be useful for Navy service. It appears that they are sometimes so transferred at one-tenth of the vocabulary prices. Your Committee have considered the question as to whether such stores should be valued at their full or original price. It appears that they would be taken on by the Admiralty at the price the Admiralty paid for them, that is, one-tenth. Your Committee consider that this is the right course for the present; but whether the rate of valuation is correct seems to be a matter which deserves further consideration. Q. 1638. Q. 1645.

"UNSATISFACTORY STORE ACCOUNTING.

"91. Your Committee notice the unsatisfactory report made regarding the store accounting at Chatham Dockyard. It appears that the Chatham Yard felt more than any other Yard the pressure caused by the increase of the Fleet since 1889. The accounts were known to be defective, and steps for rectification were taken by increase of establishment and otherwise. Q. 1673.

"92. But, besides possible errors in account, your Committee observe that there may be cases of a more serious character. The Report speaks of 'discrepancies traced between the number of articles shown on the demand notes for issues and the numbers actually issued.' Your Committee consider that, if more articles are issued than those included on the demand note, the balance may go anywhere, or may even be misappropriated. No satisfactory explanation has been elicited, although it was alleged that any malpractice would subsequently be detected. In confirmation of the doubt your Committee received from the Comptroller and Auditor General a note of a case where certain issues did not agree with the ledger record. It then appeared that 'errors were occasioned by clerical omissions to alter notes (presumably in accordance with the actual transactions), and in one instance by an unauthorised alteration of the ledger.' The Admiralty in this connection stated that 'serious notice will be taken in future of alterations made in ledgers without adjustment note.' Q. 1685–91. Q. 1693. Q. 1693.

"93. Your Committee attach importance to this information, which fully justified the Comptroller and Auditor General in drawing the attention of Parliament thereto. Undoubtedly such

such faults open the door to various malpractices, which it is to be hoped have not occurred, though their occurrence was but too possible. Your Committee trust that the notice now taken may ensure the adoption of such measures in the Dockyards as may render the recurrence of any such faults impossible.

Robbery of Metal Articles at Portsmouth.

" 94. In paragraph 5 the Comptroller and Auditor General draws attention to a robbery of metal articles at Portsmouth, involving the falsification of two sets of records. Your Committee learn that, for prevention in future, both the ledgers are locked up at night. In respect to the improper removal of stores from the Yards, it appears that in one Yard additional
1708-9. police are to be taken on, with 'a special search of the men employed.' But the Department are not sure that this arrangement will be carried out in all the Yards. Considering all the circumstances of these Yards, your Committee trust that the police establishment is maintained in a position of independence conducive to the faithful discharge of this duty. They think that the special attention of the Admiralty should be drawn to the position of the establishment, and to the terms or conditions of its service in or about the Yards. They apprehend that, had the arrangements been quite effective, the petty thefts disclosed in these accounts would not have occurred.

" Faulty Timber.

" 95. In paragraph 6 the Comptroller and Auditor General refers to explanation required from the Inspector at Dantzic as to the acceptance of certain timber there, at a full valuation of 996*l*., in which certain flaws were afterwards noticed. Your Committee learn that the Inspector is a Dockyard officer. When the Admiralty want to buy timber at Dantzic they appoint an officer whom they think suitable for the purpose. He goes and selects the consignment. This consignment, when delivered at the Home Yard, is criticised by the Surveyor of
1763. Stores. No rejections or abatements can be made after 'deals' (timber) have been passed by
1766. the Inspector at Dantzic. This Surveyor perceived that some deals were sappy, some had knots too large, and some were below contract width. They did not, however, prove unser-
1773. viceable. The Store Department consider that in a large lot there will always be some faults,
1769. which are allowed from the price, and that on the whole this was a good lot of stuff. After
1782. considering the opinion of the Comptroller and Auditor General, your Committee think that the matter may pass.

" Receipts given for Stores that have not been issued.

" 96. Paragraph 7 of the Comptroller and Auditor General's Report obliges your Committee to revert to a matter cognate to that already discussed in paragraph 93 of this Report. In his Report upon Store Accounts, 1891–92, he adverted to receipts being given for stores that were never actually issued, the demand notes being presented at the store counters already receipted, and issues for various causes not being made at the time. During the year under report, 1892–93, many similar instances have been noticed at Devonport; and two cases at Chatham, where signed demands for coal, which should have been cancelled, were inadvertently treated as if the coals had been actually issued. He adds that this practice is of long standing. On the 9th of January of the present year (1894) an order was issued to the Yards requesting the local authorities to take the necessary measures to stop the irregularity, as it might lead
787. to a misappropriation of Government stores. The orders are now made peremptory, and the irregularity is believed to be stopped.

" 97. Your Committee have given close attention to these statements, which they regard as very unsatisfactory, especially as a whole year elapsed during which the attempts to stop
785. the fault were unsuccessful. The explanation, too, increases their apprehension. It runs thus: there is a large number of men involved in the matter: they bring a demand note, and, to save
795, 1803. time when removing the articles, they sign the documents in anticipation. On this your Committee observe that the storekeeper gets the demand note receipted, though he has not issued the stores, and he uses it to discharge himself of the goods in the demand note. He will presumably do right, but he may in this case do wrong, that is, misappropriate the stores.
792. Such a malpractice would be all the easier if the articles happened to be small, such as could be pilfered by degrees. There would be collateral checks indeed, but your Committee learn from the Comptroller and Auditor General that these might not prove effective. The storekeeper may be more to blame than the comparatively ignorant men who bring the demand notes, although the official who makes the demand may be of a higher status. At all events your Committee observe that the storekeeper is the officer entrusted with the safe custody of the goods, and if he takes a discharge voucher, without having issued stores against them he commits, perhaps unconsciously, something very like a breach of trust.

" 98. Under the circumstances, your Committee think that every storekeeper should be warned that if he takes a receipted demand note for stores, without in return issuing those stores, he will incur not only censure, but something even more severe than that. Doubtless the Admiralty have already issued stringent orders on the subject; and your Committee trust that the prominent notice now taken of the matter will ensure the cessation of the fault.

" 99. The

"Foreign Yards.

"99. The Comptroller and Auditor General in paragraph 7 observes that steps have been taken with Treasury sanction to improve the storehouse staff at Hong Kong. Your Committee learn that the men were kept too long at that station, to the injury of their health, and that these will now have been replaced by fresh men for three years, who will be changed triennially from time to time. Q. 1811–13.

"Victualling Yard Stores.

"100. The Comptroller and Auditor General in paragraph 9, referring to the value of stock on 31st March 1893, asked for a particular statement; not so much for his own purposes, but rather for the information of Parliament. The Store Department, however, explain that an expense of about 1,200*l.* a year would be needed for this work, and under the circumstances, your Committee find that the Comptroller and Auditor General is not disposed to press the point. Q. 1828.

"101. In the 10th paragraph, the Comptroller and Auditor General states that certain condemnations of Victualling Stores should have been referred to the Treasury for sanction as involving public losses for which some person or persons should have been held responsible. Your Committee now learn that this sanction has since been obtained. They further learn that though neglect must have occurred for which somebody would be blameable, yet the Admiralty, after exhaustive inquiry, have failed to fix such blame on anyone, and the Treasury concurs in this. Your Committee cannot now do more than press the Admiralty to utilise the experience gained in this case for the prevention of any recurrence. Q. 1852. Q. 1854. Q. 1859.

"Naval Ordnance Stores.

"Alterations in Remains of Gunners' Stores after Survey by Officers.

"102. Your Committee observe that in the remains or in the returns regarding surveys of stores on board ship, alterations have been made by the gunners or others in charge, after the report by the Surveyor. This is evidently an unsatisfactory circumstance. It appears that owing to deficiency of space and light it has been difficult to carry out stocktaking on board ships with entire accuracy. This is one of those instances which relate to the question of a separate and independent stocktaking; whatever be decided on that, your Committee think that results of the stocktaking under the direction of the Storekeeper General of Naval Ordnance should be specially observed by the Comptroller and Auditor General. Q. 1927.

"IMPERIAL DEFENCE ACT (NAVAL SECTION).

"Expenditure in Excess of Statutory Grant.

"103. In paragraph 2 the Comptroller and Auditor General states that the expenditure of 853,977*l.* 13*s.* 6*d.* is in excess of the sum allowed by statute, 850,000*l.*, by 3,977*l.* 13*s.* 6*d.* He goes on to say that upon armaments 41,481*l.* 13*s.* 3*d.* remained unappropriated among the vessels on 31st March 1892. This amount having been distributed according to the views expressed by the Public Accounts Committee in their Report of 1893, the analysis brought out many errors in detail, and its final result has practically been the excess above set forth. In paragraph 5 the Comptroller and Auditor General observes that this excess having occurred beyond the statutory provision, the matter was dealt with in a way which he regards as questionable. Instead of applying to Parliament for a further grant, the Admiralty and the Treasury agreed in thinking that the difficulty might be met by a further reduction in the armament outfit of one of the Australasian vessels, that is to say, by withdrawing certain ammunition (value of 4,034*l.*) from one of the vessels now acting as tender to the flagship on the Australian Station, and transferring it to Normal Navy Stocks at Sydney, payment for the returned ammunition being made out of Vote 9 (1893–94), and relief thus afforded to Imperial Defence Expenditure. Your Committee, feeling the force of the objection to this mode of adjustment, caused inquiry to be made, the result of which was a further correspondence between the Treasury and the Admiralty, which the Comptroller and Auditor General has perused. He regards a part of the explanation given by the Admiralty as really an afterthought, to the effect that the withdrawal of the stores from the ship in question, the 'Mildura,' would tend towards placing her on an equality with her sister ship, the 'Wallaroo,' as even that withdrawal would not suffice to remove the existing inequality between the two vessels in this respect. He therefore adheres to his opinion that the adjustment would be irregular, and that the satisfactory course would be to obtain sanction of Parliament to the excess. Q. 2320.

"On the other hand, the Treasury explained to your Committee that it was an oversight to put on board the 'Mildura' stores which the Defence Fund could not afford to supply, but that the Fund could not be increased beyond the statutory limit of 850,000*l.* The error could be remedied in one of two ways, that is to say, Parliament might be asked to increase the Fund, or the stores might be withdrawn and used for ordinary naval services and charged to Navy Vote Q. 2322.

Vote 9. The measure is admitted to be exceptional, but the circumstances are exceptional also. It is added that if the stores in question be earmarked to the 'Mildura' and cannot be withdrawn, then there must be an excess to be reckoned, but not otherwise, and the latter course was proposed to be adopted, doubtless as being the easier. It was adopted overtly and was open to scrutiny by the Audit Department.

"104. Your Committee hold that adjustments of this nature ought not to be made. It might be thought that the Fund being statutory, an Act of Parliament would be necessary to cover the excess, and that would be a cumbrous procedure for a case like this. Still, it would 2330-33. have been possible to take a Vote in Supply for this excess, which would have been embodied in the Appropriation Act. This, in the opinion of your Committee, would have been a preferable course in this instance.

Question, That the Draft Report, proposed by the *Chairman*, be read a second time, paragraph by paragraph,—put, and *agreed to*.

Paragraphs 1—2, *agreed to*.

Paragraphs 3—7, amended, and *agreed to*.

Paragraphs 8—9, *agreed to*.

Paragraph 10, amended, and *agreed to*.

Paragraph 11, *agreed to*.

Paragraphs 12—13, amended, and *agreed to*.

Paragraph 14, *agreed to*.

Paragraph 15, amended, and *agreed to*.

Paragraph 16, amended, and *disagreed to*.

Paragraphs 17—22, *agreed to*.

Paragraph 23, amended, and *agreed to*.

Paragraphs 24—28, *agreed to*.

Paragraph 29, amended, and *agreed to*,

Paragraph 30, *agreed to*.

Paragraphs 31—32, amended, and *agreed to*.

Paragraphs 33—37, *agreed to*.

Paragraph 38, amended, and *agreed to*.

Paragraphs 39—44, *agreed to*.

Paragraph 45, amended, and *agreed to*.

[Adjourned till Wednesday next, at Two o'clock.

Wednesday, 11*th July* 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Mr. Mowbray.
Mr. Alpheus Morton.	Mr. Arthur Williams.
Mr. Hanbury	Mr. Stanhope.
Sir John Hibbert.	Mr. Arthur O'Connor.
Sir Arthur Hayter.	

DRAFT SECOND REPORT further considered.

Paragraphs 46—48, *agreed to*.

Paragraph 49, amended, and *agreed to*.

Paragraph 50, *agreed to*.

Paragraph 51, amended, and *agreed to.*

Paragraphs 52—56, *agreed to.*

Paragraph 57, amended, and *agreed to.*

Paragraphs 58—59, *agreed to.*

Paragraph 60, amended, and *agreed to.*

Paragraph 61, *disagreed to.*

Paragraph 62—68, *agreed to.*

Paragraph 69, amended, and *agreed to.*

Paragraphs 70—72, *agreed to.*

Paragraph 73, amended, and *agreed to.*

Paragraphs 74—79, *agreed to.*

Paragraph 80, amended, and *agreed to.*

Paragraphs 81—86, *agreed to.*

Paragraph 87, amended, and *agreed to.*

Paragraphs 88—94, *agreed to.*

Paragraph 95, amended, and *agreed to.*

Paragraph 96, *agreed to.*

Paragraph 97, amended, and *agreed to.*

Paragraphs 98—99, *agreed to.*

Paragraph 100, amended, and *agreed to.*

Paragraphs 101—103, *agreed to.*

Paragraph 104, amended, and *agreed to.*

Question, That this Report, as amended, be the Second Report of the Committee to the House.

Ordered, To Report, together with Minutes of Evidence, and an Appendix.

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Wednesday, 4th April 1894.

MEMBERS PRESENT:

Mr. Buchanan.
Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Arthur O'Connor.
Sir Richard Temple.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Mr. RALPH HENRY KNOX, C.B., called in; and Examined.

Chairman.

137. (To Mr. *Knox.*) YOU have, no doubt, read the preface to the Report of the Comptroller and Auditor General which is printed at page 157?—I have.

138. Have you observed at the end of paragraph 3 of that Report that the Comptroller and Auditor General remarks, in respect of the Capitation Contribution from India of 7*l.* 10*s.* per man, this rate appears to be temporary, and that no settlement as to any permanent basis of contributions by India has yet been arrived at, nor, so far as he knows, is any Committee at present charged with the duty of arranging such settlement; can you tell the Committee whether any such arrangement is being made, or whether any departmental inquiry is being instituted?—We are in correspondence with the Treasury as to the establishment of some authority or tribunal for fixing the arrangement with India in the future, but no final decision has yet been come to. This capitation rate of 7*l.* 10*s.* was found fairly satisfactory as regards the first years to which it had been applied; and it has been applied to the year 1893-94, the year following the dates referred to in this Report; but no settlement has been arrived at as regards the current year or future years.

139. So the Committee understand; but can you tell us whether such a settlement is likely to be permanently arranged?—That rests with the Treasury. Perhaps Mr. Ryder may be able to say something about it.

140. (To Mr. *Ryder.*) Can you tell us whether this settlement is likely to be made permanent?—I am sorry to say I cannot give any definite information to the Committee. The matter has been under consideration, and is still under consideration, but, so far as I know, no decision has yet been arrived at.

141. Is it not important to settle this matter?—No doubt it is very important. But I may

Chairman—continued.

say that Lord Northbrook's Commission has done very good service, and has made the settlement for each year much easier than it would have been otherwise. We have this capitation rate of 7*l.* 10*s.*, which we have found very useful, and which has been applied for several years now, and it may go on for some time. Nevertheless the Treasury keeps before it, I believe, the importance of re-appointing a Committee of Inquiry in the near future.

142. Is it to be settled permanently, or is it to remain a temporary arrangement?—Certainly, the Treasury hope it will be settled.

143. But when will it be settled; within a reasonable time?—Within a reasonable time, we hope, but I am afraid I could not mention any particular time.

144. Could you ascertain and report to the Committee upon the subject at the next meeting?—I will try and find out something about it in time for the next meeting of the Committee.

Mr. *Hanbury.*

145. (To Mr. *Knox.*) How long has this been an open question; how many years has this been going on?—For a very long time; for some 20 years or so, I should think; there has never been any settlement which has prevailed for more than a year or two.

146. From which side does the objection to this 7*l.* 10*s.* come; is it from India or the Treasury?—We are accepting the capitation of 7*l.* 10*s.* as a *modus vivendi*, which is more or less acceptable to both parties. It is not so much as the War Office would like to get, certainly; but we have accepted it for the time.

147. The complaint against it, if there is complaint on either side, comes from the War Office?—Yes.

148. India is satisfied?—I cannot say they are satisfied, but they have accepted it and paid at that rate for three or four years.

149. When

Sir *John Hibbert.*

149. When was Lord Northbrook's Commission appointed?—I forget the date of its first appointment.

150. That would be going back more than three or four years; it would be going back a considerable time, would it not?—Yes; but that was only an arrangement under which we lived from hand to mouth. The Commission was appointed to fix some contribution of this kind which was to continue, but they did not fix anything; they recommended this not as a final settlement, but as a *modus vivendi.*

Mr. *Alpheus Morton.*

151. Do I understand that anything is now being done to get the question settled?—The War Office has asked the Treasury how they propose to deal with the matter in future, and it is awaiting their consideration and decision.

152. Is the only way of settling it to have another Committee appointed?—I imagine so, unless this rate of 7*l.* 10*s.* is agreed to by both parties.

153. But both parties do not agree to it, I understand?—It has not been finally agreed to by both parties. I have had as much to do with it as anybody at the War Office, and my view is that 7*l.* 10*s.* is not enough.

154. Do you know of any proposal to appoint a fresh Commission now being before the Treasury?—The War Office have written to the Treasury asking what course they would propose with regard to the future.

On Votes 1 to 3.

No Questions.

On Vote 4.

Yeomanry Cavalry: Pay and Allowances.

Mr. *Alpheus Morton.*

155. (To Mr. *Knox.*) I want to ask a question with regard to the deficit, shown on page 26, of 147*l.* 2*s.* 4*d.* under the head of "Miscellaneous Charges of Yeomanry Cavalry," as to which the explanation given is that it is "partly due to the payment of arrear claims to Clerks of Lieutenancy, and partly to the charges for compensation for loss of horses, and gratuities for injuries having been more numerous than in former years." I thought money paid to Clerks of Lieutenancy was always a reducing charge?—Yes, it is a reducing charge; but this arose from the fact that payments which should have been made in the previous year fell over to this year in consequence of claims not having come in.

156. Notwithstanding this deficit of 147*l.*, is it still a reducing charge?—Yes, it is still a reducing charge.

On Vote 5.

Volunteer Corps: Pay and Allowances.

Gratuities to Volunteers injured in a Railway Accident.

Chairman.

157. (To Mr. *Knox.*) You will observe it is stated at the end of paragraph 9 of the Comptroller and Auditor General's Report that certain compensation had been paid to Volunteers who were injured in a railway accident, notwithstanding that they had already received compensation from the railway company, and the Comptroller and Auditor General says he can offer no objection to the admission of these gratuities, but it appears to him to be doubtful whether the grant of compensation in these cases was in accordance with the spirit of the Volunteer Regulations. What have you to say upon that point?—I can only say that if the Comptroller and Auditor General has a doubt about it the War Office has not. This is a grant which is made to persons who are injured while on military duty, and is practically in lieu of maintenance and medical charges for the cure of persons when so suffering, and it is not affected in any way by anything which the men may recover from any other source.

158. But the Comptroller and Auditor General evidently thinks that it is so affected, because in this case these men have received compensation twice over, and the inference which he evidently means to draw is, that if the railway company has compensated them there is no reason why the Treasury should do so once more?—This is really not compensation properly so termed. It is a payment made for the maintenance of men during their sickness who are injured while on military duty, in the same way as a soldier, if he is wounded or knocked over, is sent to hospital.

159. But the Comptroller and Auditor General apparently would argue that the railway company's compensation was in respect of these very services, and that that should affect the compensation granted by the War Office?—The view of the War Office is that it is not so. The State is liable under the Regulations for a claim of this kind for the maintenance of a man during his sickness who has been injured while on military duty.

160. But apparently the Comptroller and Auditor General would suggest that there might be some provision in the Regulations whereby the Secretary of State when granting this compensation could inquire whether compensation had already been given. What would your view be upon such a suggestion as that?—My view would be that the Secretary of State would not make the inquiry.

161. You think he would not like to alter the Regulations in that sense?—Certainly not.

162. (To Sir *C. L. Ryan.*) Would you like to make any further remarks upon this point after what Mr. Knox has stated?—I do not think

ARMY APPROPRIATION ACCOUNT.

Vote 5.—Gratuities to Volunteers injured in a Railway Accident—*continued.*

Chairman—continued.

think I have anything more to say than is said in the Report upon the subject. It appeared to me to be a question that should be brought before this Committee, and it rather rests with them to come to any decision upon the point.

Mr. *Arthur O'Connor.*

163. (To Mr. *Knox.*) Would you read the paragraph in the Regulations which deals with this question?—It is paragraph 627 of the Volunteer Regulations: "A sum not exceeding 3*s.* 6*d.* a day will be granted for a period not exceeding six months to an enrolled member of the Volunteer Force who may be injured whilst in the performance of military duty, and rendered incapable of resuming his trade or calling in consequence of such injury." "The gratuity will be limited to the period during which the man shall be shown to have been unable to follow his occupation, and will not be issuable for any period during which he shall have been under treatment, and been subsisted in a military hospital."

164. It is not contingent upon receiving anything from any insurance company, or anything by way of indemnity?—Not at all.

165. It is an absolute grant?—Yes.

Sir *John Hibbert.*

166. Is it not the fact, then, that a Volunteer would be in a better position than a civilian in the case of a railway accident if he receives money both from the railway company and from the War Office during the time of his sickness?—He would; but it is held that a Volunteer is doing duty to the State, and is in this position because of his duty to the State, while the civilian would be where he was merely *proprio motu.*

167. Still, I presume the railway company in considering the question of compensation would consider all the facts of the case?—We hold that it is not a question of compensation; it is providing hospital charges and maintenance to a man while he is sick, who has been injured in the service.

168. Ought there not to be some principle by which the War Office should be informed as to the amount of compensation granted to men of this character by railway companies in case of accident?—Seeing that the grant is absolute, and should not, in the opinion of the Secretary of State, be affected by any such compensation from other quarters, there is no necessity for any information of that kind being furnished.

Mr. *Hanbury.*

169. Would the same rule apply assuming these men had been Regulars instead of Volunteers?—I have never heard of a regular soldier having recovered damages from a railway company, but I suppose it is quite open to him to do so; but certainly, in addition to whatever he

ARMY APPROPRIATION ACCOUNT.

Vote 5.—Gratuities to Volunteers injured in a Railway Accident—*continued.*

Mr. *Hanbury*—continued.

recovered from the railway company, he would be entitled to be maintained in hospital during the whole time he was treated for an injury received in the Service.

170. In his case there is nothing making any deduction in respect of anything received from an insurance company, or any other source?—Nothing.

171. How many Volunteers were injured in the case under discussion?—Thirty-two.

172. Did the War Office find out in each case how long the men were incapacitated?—Yes.

173. Did they all get the same amount of compensation?—No; they only received compensation in accordance with this Regulation, for the period during which they were not able to follow their occupation.

174. What were they doing when they were injured; were they going to a review?—They were returning from an inspection.

175. They were acting on military duty?—Certainly.

Mr. *Arthur O'Connor.*

176. In the case of compensation paid by a railway company for injuries done to a passenger, whether it be recovered directly from the company without an action at law, or by an action at law, the fact that a passenger received compensation of this kind might be taken into consideration either by the jury who awarded the compensation, or by the Company?—Yes.

177. Therefore, if anything is reduced it is not the War Office allowance, but the compensation paid by the railway company that is to be reduced?—I should imagine so, if such matters are taken into consideration.

Mr. *Alpheus Morton.*

178. Has Parliament ever sanctioned a payment of this sort?—It is sanctioned under the Regulations. The Vote taken for the Volunteers covers a sum of money against which such compensation would be charged. A regular charge is taken to cover cases that may occur during the year.

179. Any gratuities mentioned in these Regulations might be met by the money voted under the Volunteer Vote?—A sum is taken every year to cover such expenses. It is, of course, uncertain what the amount will be, but a sum is always taken.

Sir *Arthur Hayter.*

180. I suppose the cases where Volunteers have had compensation from the War Office for injuries received on a railway are very rare?—Yes.

181. Does that Regulation include all sorts of injuries; for instance, injuries to men when firing at the butts?—Yes; it includes anything that incapacitates a man from his work.

182. And in the case of death would any compensation be payable?—No; but if a man was

Army Appropriation Account.

Vote 5.—Gratuities to Volunteers injured in a Railway Accident—*continued.*

Sir *Arthur Hayter*—continued.

permanently injured he would be entitled to pension.

183. There is no compensation in the event of death in the case of soldiers, is there?—No.

Sir *John Hibbert.*

184. (To Mr. *Ryder.*) Have you any suggestion to make with respect to this point?—I think the Treasury would recognise the distinction drawn by Mr. Knox between the 3*s.* 6*d.* a day, which is really for the maintenance of an injured Volunteer, and the compensation given by a railway company in case of accident. I do not think that the Treasury would hold that the giving of the one deprived the Volunteer of the right to the other; but I am not sure that the Treasury would not suggest that the compensation given by the War Department ought to be reclaimed from the railway company. It is the negligence of the company's officers that has caused the Secretary of State to pay this compensation to the Volunteer, and the railway company may have taken into account that compensation in making the payment to the Volunteer; and, if so, it would be fair that the railway company should make good to Army Votes the compensation which has been paid out of those Votes.

Mr. *Arthur O'Connor.*

185. Does that mean that after the railway company has paid full compensation to the injured man it should be called upon to pay something further to the War Office on account of an existing Regulation?—The claim should have been made as soon as the War Office were aware of the liability, without waiting for the company to settle what they paid on their side; but, as the honourable Member himself suggests, the company may have reduced their payment to the Volunteer by the amount paid by the War Office.

186. The War Office would not be interested in making known to the railway company that they were going to allow the injured man 3*s.* 6*d.* a day?—They would be interested in recovering from the company whatever they had paid.

187. They could not possibly recover it, could they, after the company had paid, either under a judgment or voluntarily, full compensation for the injury done?—It would rather depend upon the date when the War Office made their claim. If they were early in the field they might recover.

Mr. *Hanbury.*

188. (To Mr. *Knox.*) In this case I understand the War Office agreed upon what they would pay these men before the claim was made against the railway company?—That I cannot say.

189. That is important with regard to this question, because what I want to get at is this, whether the railway company, when they paid their compensation, paid it with the knowledge

Army Appropriation Account.

Vote 5.—Gratuities to Volunteers injured in a Railway Accident—*continued.*

Mr. *Hanbury*—continued.

that these men had already received something from the War Office, and paid less in consequence?—(Mr. *Ryder.*) I am afraid I could not say what took place in this particular case.

Chairman.

190. (To Sir *C. L. Ryan.*) It appears in the Report that the railway company were the first to give the compensation, because it was granted when the men had already received compensation from the company; that was so, was it not?—I think so. It appeared from the papers that the compensation had been paid by the railway company before the War Office made this payment.

Mr. *Hanbury.*

191. (To Mr. *Knox.*) Therefore the allowance from the War Office evidently could not have been taken into consideration when the company paid their compensation?—But this money is not given as compensation; it is given in recognition of the right which anyone who while serving in a military capacity is rendered *hors de combat*, and has to be maintained in hospital and doctored during the time he is incapacitated; and this payment was in lieu of providing such treatment in a military hospital. In former cases, for instance, men were taken into a military hospital if there happened to be one near.

Sir *John Hibbert.*

192. Is it not a fact that the Volunteer gets the money twice over here; he gets it from the War Office for his injury, and he gets it from the railway company also for the same reason?—He gets money from two sources, I am quite willing to admit, but whether he gets it twice over is another question.

Mr. *Hanbury.*

193. Do you admit that this is a kind of payment which, if the railway company knew of it they would take into consideration in fixing what the compensation which they should pay should be?—That I cannot say.

New Decoration for Volunteer Officers of 20 Years' Service.

Mr. *Alpheus Morton.*

194. (To Mr. *Knox.*) I see there is an item of 3,000*l.* for new decoration for Volunteer officers of 20 years' service; that is to be met, as I gather from the letters printed on page 67, out of savings; I want to know why Parliament has not been asked to sanction that payment?—At the time this was decided upon no arrangement had been made as to what should be done, and it was during the year that the Government decided that this money should be given, and then, under Treasury sanction, the expenditure was incurred, the Treasury having power to sanction after

4 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

Army Appropriation Account.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Alpheus Morton*—continued.

after the Estimates are passed, any special expenditure of this kind, provided it can be met out of savings.

195. Why did not you come with a Supplementary Vote, so as to let Parliament know what the amount would be?—Because it could be met out of savings. We never ask for a Supplementary Vote if there are savings upon the total Votes, out of which the expenditure can be met.

196. That is what I am objecting to?—That is the principle laid down by law.

197. I object to the system, because very few Members of Parliament look at these Appropriation Accounts, and they would not know, except by accident, what this amount consists of when it is done in this way. This is entirely a new expenditure, is it not?—It is a new expenditure, but it is sanctioned in the usual way in the manner recognised by Parliament.

198. I want to know what right you have to apply money in that way; is there any Act of Parliament which allows the War Office to take money if there is a saving, and spend it upon a matter which is not even mentioned in the Estimates?—Yes; the Appropriation Act allows the Treasury to sanction special expenditure in this way.

199. On anything they like?—Yes.

Mr. *Hanbury.*

200. That is, provided it is a matter cognate to the Vote, of course?—Quite so.

Sir *John Hibbert.*

201. It is the same with every Department, is it not?—Yes.

Mr. *Hanbury.*

202. As a matter of fact, the title of this Sub-Head is "Miscellaneous Charges for Volunteer Corps"?—Yes.

Mr. *Alpheus Morton.*

203. My own impression is that you ought to have come for a Supplementary Vote, but I am asking whether you have any legal authority for the course that has been taken?—Yes, we have.

Chairman.

204. Is not the Appropriation Act your authority?—Yes.

205. Are not these charges also followed up in the Appropriation Act and put into certain Resolutions submitted to the House?—The Appropriation Act, after this has been passed through this Committee, subsequently sanctions the appropriation of savings to meet any deficiencies that may have arisen, both under the Army and the Navy.

Army Appropriation Account.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Alpheus Morton.*

206. You mean the Appropriation Act to be passed at the end of the present Session?—Yes.

207. Does that specially mention this?—The total savings and deficiencies are mentioned.

208. Have you got the Act of last year before you?—Yes.

209. Is there mentioned in that Act an expenditure of this sort in the previous year?—The sum total upon each Vote is shown.

210. Does it say anything there about spending the savings on one Vote upon another?—Yes. Clause 4 says: "If a necessity arise for incurring expenditure not provided for in the sums appropriated to naval and military services by this Act, and which it may be detrimental to the public service to postpone until provision can be made for it by Parliament in the usual course, each of the Departments entrusted with the control over the said services shall forthwith make application in writing to the Commissioners of Her Majesty's Treasury for their authority to defray temporarily such expenditure out of any surpluses which may have been, or which may be, effected by the saving of expenditure upon Votes within the same Department."

211. Does that apply at all to the sort of expenditure we are now discussing. This is not a matter of emergency, is it?—I think so. Nearly every Member of the House of Commons was interested in it, and was pressing for it.

Mr. *Hanbury.*

212. That Section not only authorises the transfer of savings within one Vote to any Sub-head under that Vote, but it also, so far as I understand it, authorises a transfer actually from Vote to Vote by Treasury sanction?—It does.

Mr. *Alpheus Morton.*

213. But it is confined, as I understand, to matters of emergency?—The words are, "which it may be detrimental to the public service to postpone until provision can be made for it by Parliament."

214. Would there not have been plenty of time to have come for a Supplementary Vote for this?—No doubt a Supplementary Vote could have been taken.

Chairman.

215. (To Mr. *Ryder.*) Have not all these items to which the honourable Member alludes been reported by the War Department to the Treasury, and received sanction by the Treasury, as shown in the correspondence which is printed at pages 93 and 94?—Yes; the Treasury have formally sanctioned these particular items of expenditure. The correspondence appears at page 67.

216. I am

ARMY APPROPRIATION ACCOUNT.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Alpheus Morton.*

216. I am not questioning that the Treasury have sanctioned it, but I am looking at it from the point of view of the House of Commons, which has to judge of the action of the Treasury?—May I give a word of explanation. Section 4, to which Mr. Knox has alluded, relates only to the application of savings on one Vote to excesses on other Votes.

217. Then it does not apply to this matter at all?—No; in the case before us there has been no excess upon the Vote; there was, indeed, a considerable surplus really upon the Vote. A new Service started up which the Treasury found could be met out of savings on the Volunteer Vote, and they sanctioned that Service under the authority of the Appropriation Act, but not under the authority of Section 4 of that Act. The Appropriation Act assigns a certain lump sum to the service of the Volunteer Vote; it does not distribute that sum in any way; it leaves to the Executive, subject to Treasury concurrence, to apply that lump sum to the service of the Volunteer Vote as occasion may require.

218. Would that be quite irrespective of these items that are set down in the Estimates before us?—Not irrespective of them, because the distribution of the Vote which has been communicated to Parliament is always kept careful note of and taken into consideration when any deviation is submitted to the Treasury; nevertheless the Treasury holds that it may sanction a deviation.

219. Therefore these Sub-Heads A, B, C, D, and E, as shown on the Estimates, may be misleading altogether?—I should not say misleading, because they truly represent the intention of the Government and the Executive at the time the Estimates are prepared.

220. But the Treasury, you say, is not bound by that?—The Treasury may, on a representation by the Spending Department, sanction a deviation, provided that the deviation is within the limits of the total Vote; that is to say, within the purposes of the heading of the Vote.

221. Then a Department has only got to ask for more money than it wants and it might spend it on all sorts of things provided it is for the Volunteers?—It would no doubt be possible for an unscrupulous Department to over-estimate deliberately.

222. I am not putting the case of "an unscrupulous Department," but I say if they have got savings they may spend them upon any unprovided-for service as long as it is connected with the Volunteers; they might, for instance, build a house for Volunteers on the parade ground?—If such a thing were done it would probably be charged to Vote 10, the Vote for Works and Buildings.

223. Are there charges for Volunteers under Vote 10?—I say, assuming such a thing were done, it would probably be provided for under Vote 10.

224. You say Section 4 of the Appropriation

ARMY APPROPRIATION ACCOUNT.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Alpheus Morton*—continued.

Act is not the authority for spending this money. Is there any authority for it in the Appropriation Act?—It is the implicit authority given by the fact that Parliament in the Appropriation Act assigns 781,500*l.* for the Volunteer service and leaves it to the Executive to distribute that sum in accordance with the Estimates presented to Parliament, or, if necessary, otherwise.

225. Then they are not absolutely bound by these Sub-Heads, A, B, C, and so on, at all?—No.

226. (To Sir *C. L. Ryan.*) May I ask whether you agree that that is the idea of Parliament, that the Government may take the total sum and spend it without regard to these particular Sub-Heads, A, B, C, and so on?—No doubt they may do so. My objection would only arise to any expenditure that was not within the four corners of the Vote. If anything was applied under the Volunteer Vote that did not come within the four corners of the Volunteer Vote, I should question it at once. I should in my Report state any deviation from the headings put before Parliament at the time, and if there was any deviation that seemed to me to be of a nature that required to be brought before Parliament, I should bring it before Parliament; but I have no authority to follow the Estimates as having been approved by them, and as affording an absolute standard which cannot be departed from—there is no such rule.

Sir *John Hibbert.*

227. In accordance with what you have just stated you have not questioned this item of 3,000*l.*?—Certainly not. The Treasury sanction has been obtained for it.

Mr. *Hanbury.*

228. (To Mr. *Ryder.*) I understand the Treasury view is that the authority for this is only implied by the Appropriation Act, and that Section 4 is not the authority for this particular transaction which takes place within the limit of one Vote?—That is so.

229. (To Sir *C. L. Ryan.*) Does the Comptroller and Auditor General agree with that view?—I think the Treasury view is the correct one. Mr. Knox was probably thinking of a transfer from Vote to Vote, and not of the creation of a new Sub-Head, as we call it. This is what is technically called the creation of a new Sub-Head. The creation of a new Sub-Head, if there is money within the Vote, is within the competency of the Department with the sanction of the Treasury. That does not fall within the Resolution embodied in the Appropriation Act. That resolution only sanctions transfers from Vote to Vote, and that only takes place in the case of the Army and Navy, and does not exist in the case of the Civil Service.

230. Where

4 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

Army Appropriation Account.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Alpheus Morton.*

230. Where does the Treasury get its authority?—The Treasury get their authority from prescription, I believe. (Mr. *Knox.*) The argument would be that the greater includes the less; that is how I have always understood it. (Mr. *Ryder.*) I think the authority may be inferred from the Appropriation Act also. The Appropriation Act gives to the Queen a certain sum for volunteers; the distribution of that sum by the Ministers of the Queen is a matter of departmental administration, and, as the Comptroller and Auditor General says, of prescription.

231. A matter that Parliament has nothing to do with?—Parliament is most interested in it. Parliament insists upon having the results of the year presented to it, and a comparison made between the estimated and actual expenditure, and requires that Treasury authority for any deviation should be presented to it.

Mr. *Arthur O'Connor.*

232. I suppose when a Vote is taken it is taken under well-understood conditions and existing regulations, though it is taken in a lump sum?—Most certainly.

233. One of those regulations is that there shall be no new service supplied out of an available surplus unless it would be to the detriment of the public service to have the payment postponed?—I think that applies to savings on one Vote to meet excesses on another Vote.

234. When it is proposed to apply a particular surplus on a Vote to a service that has not been provided for in the Estimates, does the Treasury institute any inquiry as to whether the public service would suffer detriment if it were not met?—The Treasury satisfies itself that there is sufficient cause for the application of the Spending Department; the Spending Department gives the reasons for the application.

235. The terms of the Appropriation Act contemplate an expenditure of this kind only in cases where the public service would be injured or would suffer if a new appropriation was not made under the authority of the Treasury. My question is whether in a case of this sort the Treasury does in fact inquire whether the public service does require the immediate appropriation of the money?—The condition to which the honourable Member refers is that in Section 4, which relates only to the use of savings on one Vote to meet excesses on other Votes; it does not relate to an altered appropriation within the limits of the Vote.

236. Then I understand you to say that where there is a surplus, not such as is referred to by Section 4 of the Appropriation Act, but a surplus available for one Vote, and for one Vote only, the Treasury has the right to authorise the expenditure of that surplus without inquiring whether the public service actually urgently

Army Appropriation Account.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Arthur O'Connor*—continued.

requires that expenditure?—The Treasury has no initiative in the matter; it can only act upon a representation made by the Spending Department. That representation must be such as to satisfy the Treasury that it is to the public interest to sanction the deviation from the Estimates.

237. Did you get from the War Office in this particular instance a representation that the public service would suffer if this appropriation of an unexpended balance was not made?—On page 67 of the Appropriation Account the application from the War Office is given as regards the New Decoration for Volunteer Officers.

Mr. *Hanbury.*

238. The War Office maintain, as I understand, that Section 4 governs not only a transfer from Vote to Vote, but also a transfer from savings to a new Sub-head within the Vote; and, if so, this requirement which is mentioned in Section 4, namely, the urgent necessity of the public service, would apply to both cases?—Yes.

239. As I understand, the War Office say that Section 4 is the authority for both these transfers; but the Treasury say no, it only applies to a transfer from Vote to Vote. I confess it struck me when I heard Mr. Knox read the section just now that it referred to both. It does not in any way limit the transfer to a transfer from Vote to Vote. (To Mr. *Knox.*) Is not that so?—It speaks of "the saving of expenditure upon Votes within the same Department."

Mr. *Alpheus Morton.*

240. It says that the Department is to apply to the Treasury "for their authority to defray temporarily such expenditure." What is the meaning of the word "temporarily"; are they to come for a Supplementary Vote afterwards?—There must be a subsequent confirmation by Parliament in the Appropriation Act where surpluses are applied to meet deficiencies that may have arisen, as shown in the account.

Mr. *Arthur O'Connor.*

241. (To Mr. *Ryder.*) I am afraid I must still ask you to answer the question I was putting a few minutes ago as to what representation was made to the Treasury in the terms of the Appropriation Act with regard to the necessity of utilising an available surplus for this particular service. The letter on page 67 to which you referred does not appear to me to represent to the Treasury that the public service would suffer if this appropriation were not made?—I do not think the Treasury would allow that the terms of the Appropriation Act, which have been referred to, apply to this particular case.

242. Then it comes to this, does it not, that even when the necessities of the public service do not require it, a service not mentioned in the Estimates, not specified in the Appropriation

Army Appropriation Account.

Vote 5.—New Decoration for Volunteer Officers of 20 Years' Service—*continued.*

Mr. *Arthur O'Connor*—continued.

Act, but entirely new, may be submitted by the War Office to the Treasury, and the Treasury may meet that service and provide for it entirely out of moneys which were nominally appropriated for other services, without Parliament knowing anything at all about it till, practically, two years afterwards?—Provided that the service falls within the four corners of the Vote.

243. Am I to understand that that is the position of the Treasury?—It is a matter for the discretion of the Treasury; the Treasury would never dream of exercising the power unless they were convinced it was in the public interest that they should do so.

244. What was there to convince the Treasury in this particular instance with regard to this New Decoration for Volunteer Officers that it would be detrimental to the public service to postpone the issue. Why could they not have waited and got a Supplementary Vote?—Parliament had given them the power to sanction this expenditure if it were requisite, and the War Office represented that it was desirable that this expenditure should be incurred. The expenditure was provided for in the Vote within the meaning of the Appropriation Act; that is to say, the sum given for the service of the Volunteers was sufficient to cover it.

Mr. *Hanbury.*

245. That is to say, broadly speaking, under your interpretation of Section 4 you have not to prove, in this case, that there would be any detriment to the public service by delay?—We did not consider that Section 4 came into the matter at all.

Mr. *Alpheus Morton.*

246. Then where does the authority for it come in; is it simply a prescriptive authority?—I think it comes from the Appropriation Act, which gives to the Queen a certain sum for the service of the Volunteer Corps, and Her Ministers apportion that sum.

247. According to Section 4 it has to be something urgent, has it not?—Section 4 allows the Treasury and the Spending Department to throw all the Votes into hotch-pot if it is to the interest of the public that it should be so treated.

248. Where is it stated in the application of the War Office to the Treasury that there was any hurry or urgency about this matter at all; I do not see a word in the letter to that effect?—There was no necessity to represent a case of urgency; all that is necessary is to show that it is desirable.

249. Then, urgency or no urgency, you contend that the Treasnry can take savings and spend them on other matters not mentioned in the Estimates so long as they are connected with the service?—So long as they fall within the four corners of the Vote, and so long as the Treasury are convinced that it is in the public interest that they should do so.

250. Does this service fall within the four corners of the Vote?—It is a service intimately connected with the Volunteers.

251. The explanation of this expenditure, as given on page 29, is "an unprovided service"?—It is quite true there was no specific provision for it in the Estimates.

252. Not being urgent, how does it come within the four corners of the Vote?—The heading of the Vote, which I suppose is much the same as the terms of the Resolution of the House of Commons, runs in this way: "The sum required in the year ending 31st of March 1893 to defray the charge for capitation grants and miscellaneous charges of Volunteer Corps, including pay, &c., of the permanent staff." The decoration of Volunteers may fairly be called a miscellaneous charge; nevertheless, as it was a novelty, and a matter that would naturally interest Parliament, the Treasury said that a separate Sub-Head should be made of it.

253. Was the Treasury aware that there was plenty of time to come to Parliament for a Supplementary Vote?—I have no doubt the Treasury was aware that there would have been time, but they would have thought it inexpedient to do so, because the money was not really required; there was enough money in hand.

254. Is not that to a certain extent concealing from Parliament how the money is being spent?—No doubt the information is not given to Parliament until after the expenditure has been incurred.

255. After the money has been expended has Parliament any check upon it?—Through this Committee Parliament might condemn the expenditure.

256. What would that mean?—It would mean an alteration of the practice in future, no doubt.

Repayment of Costs in the Suit of Hebbert *v.* Silver.

Mr. *Alpheus Morton.*

257. (To Mr. *Knox.*) I observe there is a sum of 182*l.* 3*s.* 7*d.* paid for Colonel Silver's costs in the suit of Hebbert *v.* Silver; I should like to ask why that was allowed, because I gather from the correspondence printed at page 67 that there was no occasion to defend the suit at all?—The action was brought against Colonel Silver, and he had to defend the suit; it was held that it was very much a public case which he necessarily took up from his having held the position as colonel of this Volunteer Corps, and that he ought to be indemnified his expenses in defending the suit.

258. Seeing that it is stated in the War Office letter that the corps were quite willing to pay

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ARMY APPROPRIATION ACCOUNT.

Vote 5.—Repayment of Costs in the Suit of Hebbert *v.* Silver—*continued.*

Mr. *Alpheus Morton*—continued.

or, at all events, that they only wanted some time, what was the good of defending an action of that sort?—Messrs. Hebbert preferred to bring the action against Colonel Silver, and they did so.

259. What was the good of defending it if the corps admitted the debt?—Colonel Silver wanted to clear himself personally of the liability.

260. I suppose he had given the order for the uniforms in question?—He had given the order as colonel.

261. Then surely Messrs. Hebbert had no remedy against anybody but the person who gave the order?—According to law it has been held that that was so.

262. I thought that was generally known?—That was held to be the law.

Mr. *Arthur O'Connor.*

263. I suppose the War Office would hold that it would have been detrimental to the public service if this unfortunate colonel had had judgment executed against him by an impatient creditor, and therefore they paid his costs?—Quite so.

Mr. *Alpheus Morton.*

264. But why did they not advise him not to defend the action?—The action was brought, and he was obliged to defend it, or allow judgment to go against him.

265. That is the best thing to do when you know that you are in the wrong, is it not?—It was held that he was legally liable as having given the order.

266. That principle has been known, I believe, among men of business, at any rate, for many years?—There was a doubt about it with regard to the Volunteer corps because of the existence of a finance committee, which introduces some complication.

Mr. *Arthur O'Connor.*

267. There was a question of agency involved?—Yes.

Mr. *Alpheus Morton.*

268. But is it not well understood that the man who gives the order is liable in these cases?—Quite so; it has been so ruled in the courts under the action that has been brought.

Mr. *Hanbury.*

269. Looking at the fact that there is Sub-Head E. for "Miscellaneous Charges," what is the reason why these two items, "New Decoration for Volunteer Officers," and this "Repayment of Costs," should not come under that Sub-Head, instead of being charged separately?—It might have been charged against the "Miscellaneous" Sub-Head; but the Treasury thought that in good faith it ought to be brought out in a separate Sub-Head, as it was an exceptional payment, so that it should be brought to the attention of Parliament, as Mr. Ryder has pointed out. They therefore requested the War Office to bring out a separate Sub-Head.

ARMY APPROPRIATION ACCOUNT.

Vote 5.—Repayment of Costs in the Suit of Hebbert *v.* Silver—*continued.*

Mr. *Hanbury*—continued.

Mr. *Alpheus Morton.*

270. If they had not done so we should not have known what the costs were?—That is so.

On VOTE 6.

TRANSPORT AND REMOUNTS.

ADEN DEFENCES ACCOUNT.

Chairman.

271. (To Mr. *Knox.*) Will you please observe what the Comptroller and Auditor General says towards the end of paragraph 10 of his Report; he there adverts to certain charges being admitted "as Credits to Appropriations in Aid of the Ordnance Factories Vote;" and he goes on to say that this Committee decided that they could not be so admitted, and, applying the Committee's decision to this case, he declines to pass a charge against the Army Votes of 3,000*l.* and odd; I understand that in accordance with that the War Office has transferred this sum from the Army Votes to the Imperial Defence Loan Account; is not that so, and, if so, does not that satisfy the requirement?—We are prepared to accept this disallowance as against the Imperial Defence Loan Account, though we certainly did not understand that the decision given in the case of the Ordnance Factories Vote was to be of general application. We thought there were very fair grounds for coming to the decision with regard to that Vote, which is of an extraordinary and special character, but that it was not generally to apply, because I believe it is contrary to the practice of Government Departments up to the present time. However, assuming that the practice is to be altered, we admit the disallowance, but we admit it against the Loan Account instead of against the Transport Vote, against which, no doubt, the vouchers show this expenditure should be charged.

272. I presume the sum has been recovered from India?—Yes.

273. And that it really does pertain to the Imperial Defence Loan Account?—They are the Transport Charges in respect of the Imperial Defence Loan Account.

274. It is for stores in connection with the defences of Aden, is it not?—Yes.

275. (To Sir *C. L. Ryan.*) Have you any remark to make upon what Mr. Knox has said?—The principle for which I contended is admitted, as I understand, by the War Office, and I have no reason to contest the fact that the disallowance should be against the Imperial Defence Loan

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Army Appropriation Account.

Vote 6.—Aden Defences Account—*continued.*

Chairman—continued.

Loan Account, instead of being against Vote 6. I should be prepared to admit, so far as I am concerned, that the sum which is disallowed on the Imperial Defence Loan Account should remain on Vote 6.

Mr. *Alpheus Morton.*

276. Then that will make no alteration, will it?—The sum will still be disallowed. It will be disallowed on another Service. The two Services are so mixed up together that it is extremely difficult to say what is for the Imperial Defence, and what is for the Vote. The statement on the part of the War Office is that the charges should fall upon the Vote, but are not admissible against the Imperial Defence Loan Account. My main point is that you must not consider as a payment a sum which has not been paid and not transferred to India, and which is merely a book charge. That is practically admitted now, and if that is admitted the only question is upon which of these two Services it should fall, and the Services are so mixed up and so difficult to apportion that I do not think it worth while contesting the question whether the disallowance should be upon the Vote or upon the Loan Account.

Mr. *Arthur O'Connor.*

277. I should like to ask a question as to the principle upon which you proceeded when you made the objection, which is, as I understand, that there should not be a charge of this kind unless there is an actual payment?—Unless there is an actual payment or an actual admitted set-off.

278. We will deal with the situation as it was when this charge was made. There was no payment, I understand?—There was no payment as far as I could ascertain.

279. Then why should you be content with disallowance in another account and allow this charge to stand when there was still no payment?—I should like to read a letter received subsequently, which explains the War Office ground for the matter being treated in this way.

280. Before we come to that I want to understand the principle upon which you go. According to what you told us there was no payment, and yet this charge is made although the money is kept by the War Office?—It is a running account with a balance of payment.

281. As I gather, there is a sum of twice 4,205*l.* which is to be divided equally between India and the War Office; one of these 4,205*l.* has to be paid; the War Office charges it against this Vote, but makes no payment; whereupon you, as Auditor, say, I cannot sanction this charge because there is no corresponding payment?—Yes.

282. I cannot understand why you should be satisfied to have the disallowance made in another account, and not in these accounts where the charge is made?—Because there was a payment on the Imperial Defence Loan Account. I am satisfied from the terms of the War Office letter, which I wish to read to you——

Army Appropriation Account.

Vote 6.—Aden Defences Account—*continued.*

Mr. *Arthur O'Connor*—continued.

283. I wish to hear first what your own principle is. You have got it charged against this account?—And I disallowed it accordingly.

284. Then why not stick to your disallowance on this account?—I have no objection to stick to my disallowance on this account, but the War Office, while admitting a technical irregularity, say, we can show you that the disallowance would more properly fall upon the Imperial Defence Account.

285. It will, no doubt, work out all right in the end, but it seems rather a slipshod thing, if I may say so, that there should be a charge on one set of accounts on one side, and then a new charge on a totally different set of accounts?—If the accounts were totally separate and distinct that criticism would apply, but they run so close to each other that I have the greatest difficulty in apportioning the expenditure between them.

286. To come to another point, you say at the close of paragraph 10, "I am unable to pass for allowance a charge to Army Votes of the sum of 3,344*l.* 13*s.* 4*d.*," but that is the sum that is shown in the balance sheet; is that the correct amount; surely, if your objection in principle is to hold good it should be for a slightly different sum, should it not; the charge is for 4,205*l.*, and 3,344*l.* is merely the balance shown on the Suspense Account in the balance sheet?—This amount is the amount unpaid, according to our verification of the accounts.

287. That hardly tallies with the rest of your minutes, I think?—Would you allow me to read a letter subsequently received from the War Office, which explains the reasons for treating the matter in this way? The letter is dated the 13th of March 1894, and is to this effect: "In reply to your letter of 23rd January, I am directed by the Secretary of State for War to acquaint you that the investigations referred to in War Office letter of 18th *idem* have now been practically completed, and that the final settlement of the account for works connected with the Aden Defences is in progress. The exact figures cannot, however, be arrived at until certain queries, which will probably have to be referred to India, are decided. Meanwhile, the Secretary of State is compelled to admit that a technical error was committed in charging, in the year 1892–93, the Imperial Defence Loan and Vote 6 with the sum of 3,344*l.* 13*s.* 4*d.*, temporarily in excess of the actual payments to India (plus admitted counter claims). At the same time he would point out that the real accuracy of the amount which it is proposed to disallow is not impugned, and that this amount was much more than covered by an outstanding claim for armaments (for the Aden Defences), preferred upon the India Office in July 1893. The settlement of this claim should have been made by 30th September, and an advance upon account of this could doubtless have been obtained had any necessity been apprehended. Mr. Campbell-Bannerman cannot, however, agree with the contention that the disallowance

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Vote 6.—Aden Defences Account—*continued.*

Mr. *Arthur O'Connor*—continued.

disallowance in the year 1892–93 should fall upon Vote 6. The charges upon that Vote are based upon actual admitted claims, which have been fully and finally examined, and it appears from the review of the whole account that they are well within the proportion of the advances, &c. to the India Office due to freight. The charges against the Imperial Defence Loan, on the contrary, had not, previously to the recent examination, been finally examined, as it was considered that their correctness must be judged as a whole as well as in detail; and, adopting the view that only amounts actually paid within the year (including admitted counter claims) can be charged within it, they exceed the charge justified by such payments. Under these circumstances, the Secretary of State is prepared to accept the disallowance of 3,344*l.* 13*s.* 4*d.* against the Imperial Defence Loan."

Chairman.

288. (To Mr. *Knox.*) Do you wish to add anything to the explanation already given on behalf of the War Office?—Perhaps it would make the position clearer if I explained how these charges arise. A claim comes in from India on account of the Aden Defences, amounting, to let us say, 90,000*l.* According to the arrangement which was made when the Vote for the Defences was drawn up, only the actual charges for the armament and works were to go against the Loan; the charges for transport in connection with this expenditure, that is to say, taking out the guns from home, and the military stores, and so on, in connection with them, were to fall upon the Votes. Therefore, when this claim came from India, the transport charges had to be extracted from it and charged against the Vote, the remainder being a charge against the Loan. When these two charges were made it was found that, taken together, they exceeded to the extent of 3,344*l.* the sum which we had paid to the India Office, and, that being so, the Comptroller and Auditor General says, I must object to these charges. We say, inasmuch as the charges against the Transport Vote is the clearer of the two (it is distinctly vouched in detail in every respect), it ought to go against that Vote finally; but inasmuch as we have not paid all this money to India to an extent sufficient to cover the two transactions, the disallowance should stand against the Imperial Defence Loan.

289. I understand you have recovered the amount from India?—We point out that we have claims to a larger extent which have not yet been made. We have a claim for 12,000*l.* on account of armaments, but we have not yet preferred that claim.

290. You have not yet recovered that?—We had not at that time. I cannot say whether we have got any more money from India since.

291. But you will recover it?—Yes, certainly.

Army Appropriation Account.

Vote 6.—Aden Defences Account—*continued.*

Mr. *Arthur O'Connor.*

292. (To Sir *C. L. Ryan.*) I should like to put the question specifically; are you now satisfied that this charge is in respect of a sum which came in course of payment within the financial period under review, within the meaning of Section 24 of the Exchequer and Audit Act?—I think, upon the strength of this letter, I can say so.

293. Referring to the letter from the Exchequer and Audit Department, printed at page 172 of the Appendix, I see that a sum of 872*l.* 7*s.* 8*d.* has been over-credited to India. I do not know whether that is any portion of the 4,205*l.*, or whether it is an available set-off in respect of it; but if that is the only other item with which we are concerned, then the sum of 3,344*l.* is not a correct balance, because these two sums do not make up your 4,205*l.*?—I am afraid I cannot speak to the details of this account without an opportunity of consulting papers which I have not at present before me. It is a little difficult for me to answer the honourable Member's question, because I cannot carry all the accounts in my head.

Mr. *Alpheus Morton.*

294. As I understand, you disallowed this item because you had no evidence that the money had been paid?—Yes, because I did not think the money had been paid within the year.

295. Do you now withdraw your disallowance?—No, I only shift it to another account.

296. That will alter your balance to be surrendered, will it not?—Yes, it will alter the balance.

297. You consider that you have got sufficient evidence that the money has been dealt with?—Yes, because it is not a question of absolute payment, but a question of claim and counter-claim. As Mr. Knox has explained, the freight is charged to one account and the guns to another, and the accounts run so close that it is only upon the balance that I can go.

298. Is this the only instance, or have you found other items charged in this way?—There was a case in the Ordnance Factories in the previous year.

299. Is it usual to find this in any other accounts?—No; so far as I know, this was a new departure.

300. (To Mr. *Knox.*) I see there is a net deficit on the Vote of 5,700*l.*; that largely arises from the fact of a very large sum of 18,380*l.* 17*s.* 10*d.* being paid in excess of what was estimated on "Land and Coastwise Transport." How was the net deficit met; was it met by savings out of other Votes?—Yes.

301. Am I right in saying that you have not come to Parliament at all for a Supplementary Estimate in the year we are dealing with?—Yes; there was a Supplementary Estimate, but only when it was needed.

302. That does not appear upon this account, does it?—Yes; the honourable Member will find

Army Appropriation Account.

Vote 6.—Aden Defences Account—*continued.*

Mr. *Alpheus Morton*—continued.

it on pages 4 and 5; there was a net sum of 15,000*l.* taken by way of Supplementary Estimate. There was 75,000*l.* on gross expenditure, and 60,000*l.* on extra receipts, or Appropriations in Aid, which led to a net Vote of 15,000*l.* being taken.

303. But notwithstanding that Supplementary Vote you had to surrender a surplus of about 60,000*l.*?—Yes; 58,000*l.* On a gross Vote (including the 60,000*l.*) of 20,700,000*l.* there was a saving of 16,000*l.*, which is almost the nearest result which I can ever remember on any estimate.

304. That was including the 15,000*l.* mentioned there as the Supplementary Vote?—Yes; that is to say, if we had not taken that 15,000*l.* our estimate of the expenditure would only have been out less than 1,000*l.*

305. But you had an excess of 42,000*l.* in respect of Appropriations in Aid over what you had estimated?—Yes.

306. You could have used them, could you not?—Yes, and we did to the extent that we thought we could safely utilise them, to the extent of 60,000*l.*, but the final result came out more favourably than was expected.

On Vote 7.

Provisions, Forage, and other Supplies.

Rent of Rifle Range at Chipping, Lancaster.

Chairman.

307. (To Mr. *Ryder.*) Would you kindly notice the last sub-paragraph of paragraph 11 of the Comptroller and Auditor General's Report, where he says that he made inquiry of the War Office as to how a certain estimate of 1,600*l.* for the improvement of a rifle range came to be greatly exceeded (I believe the actual amount expended was over 3,000*l.*), and whether any explanation of this excess had been supplied to the Treasury. The Comptroller and Auditor General says that to this inquiry, which was sent in the middle of January last, no reply had been received up to the time of writing his Report; has the War Office supplied you with that information?—If my memory serves me right the Audit Office wrote to us, bringing the matter to the attention of the Treasury, and the Treasury have replied to the Audit Office. The gist of the Treasury reply was, that they regretted that the War Department had not told them as soon as they found out that their estimate of the cost of the work at the range was so much short of the reality; but in the view of the Treasury nothing has occurred which can be fairly said to invalidate the sanction given for the lease of the range.

Army Appropriation Account.

Vote 7.—Rent of Rifle Range at Chipping, Lancaster—*continued.*

Mr. *Arthur O'Connor.*

308. Was the lease executed?—I believe it has been executed.

309. Then the rent was payable under it?—Certainly, but the Treasury has to sanction the entering into the lease.

310. There was no option, was there, but to pay the rent?—As soon as the lease has been entered into, certainly not.

Chairman.

311. (To Mr. *Knox.*) Have the War Office furnished any explanation since the date of this Report?—We have written a letter to the Comptroller and Auditor General in regard to this query.

312. The Comptroller and Auditor General appears to have asked you whether you had furnished any statement in correction of the original estimate to the Treasury, and he does not appear to have received a reply to that inquiry?—We sent a reply on the 14th of February.

313. Will you tell us what was the effect of that reply, or if it is short perhaps you will read it?—This is our letter of the 14th of February: "I am directed by the Secretary of State for War to acknowledge the receipt of your letter of the 15th ultimo, and to inform you that the question of the rent given for the land at Chipping, Lancaster, has not been referred to the Treasury since payment was originally sanctioned; nor does the Secretary of State consider that such reference was, or is, at all necessary. The only point in the matter which required special reference to the Treasury was the rent, and that because it exceeded 100*l.* a year. No doubt, the Treasury were informed that the expenditure on the land would be necessary in order to create a range, and that such expenditure was very roughly estimated at 1,600*l.* when the Treasury were first written to. But expenditure on ranges comes under its own heading in the Estimates, and is subject to its own rules, and need not be specially submitted to the Treasury. The mention of the amount in the War Office letter of the 5th January 1882 was quite secondary. It may be observed that the Treasury at the time questioned the wisdom of any substantial expenditure for a range on land leased for so short a period as seven years, and that subsequently a lease for 21 years was obtained. In view of further increased expenditure at Chipping, negotiations are in progress for an extension of the lease to 99 years."

314. Did not the Comptroller and Auditor General ask you whether a statement in correction of the original estimate of 1,600*l.* had been supplied to the Treasury?—Yes; and we have stated that we have not written to the Treasury again.

315. The point is, that whereas 1,600*l.* was estimated for improving this rifle range, 3,200*l.* was expended upon it?—Yes.

316. Does

4 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

Army Appropriation Account.

Vote 7.—Rent of Rifle Range at Chipping, Lancaster—*continued.*

Chairman—continued.

316. Does that sum fall under this Vote?—No.

317. Does it fall under Vote 10?—Yes.

318. I gather that you consider that the question of rent is not affected by the excess of expenditure in the improvement in the range?—Quite so.

319. (To Sir *C. L. Ryan.*) What have you to say to that?—I raised this question simply as a Treasury question. I did not know whether the full facts had been represented to the Treasury when they gave their sanction. I thought it right that they should have the full facts before them, and I consequently placed them before them. The Treasury in answer say they do not think that the want of knowledge of the fact can be held to invalidate the sanction to the lease which they gave, and therefore my objection falls.

Mr. *Arthur O'Connor.*

320. I suppose you raised it under this Vote because you could not very well have brought the matter before the notice of this Committee except in connection with this Vote?—The rent is payable under Vote 7.

321. There would not probably have been an opportunity of bringing the question forward later?—No.

322. But of course the objection cannot be to the rent, whatever fault may be found with the War Office for not allowing the Treasury to know that there would be an expenditure of 3,000*l.* instead of 1,600*l.* on property held on a short lease?—It was really in the exercise of my double function, as acting partly for Parliament and partly for the Treasury, that I thought the Treasury should have the full facts before them.

323. There is no objection to the payment of the rent?—No.

Mr. *Alpheus Morton.*

324. The extra expenditure upon the Vote comes under another Vote, does it not?—Yes, Vote 10.

325. (To Mr. *Knox.*) There was an extra expenditure beyond the 1,600*l.*?—Yes, it was 3,200*l.*; it is not yet complete, I think.

326. Is that all additional to the 1,600*l.* So far as the year we are dealing with, is the total charge 3,200*l.* or 4,800*l.*?—The years 1891–92 and 1892–93 make it up to 3,200*l.*

327. (To Sir *C. L. Ryan.*) You thought the Treasury ought to have been told that in sanctioning the lease they were practically sanctioning this further expenditure?—I thought it right that the Treasury should know the full facts. They think the full knowledge of the facts does not invalidate the sanction they have given, and therefore my objection falls.

328. Do they express any opinion whether it would have been wise to have given them knowledge of the facts?—I think they do, for

Army Appropriation Account.

Vote 7.—Rent of Rifle Range at Chipping, Lancaster—*continued.*

Mr. *Alpheus Morton*—continued.

they say in their letter "they regret" the omission; in the fourth paragraph of their letter of the 10th of March they say, "My Lords do not for a moment suppose that the War Department intentionally withheld information on the subject from the Treasury, and they do not think that the omission to correct their original under estimate, though it is to be regretted, can be held to invalidate the sanction to the lease given by the Treasury on 17th February 1892, as suggested in paragraph 11 of your Report on the Army Appropriation Account for 1892–93."

329. Did they express an opinion that they ought to have had the facts before them?—They express regret at the omission.

330. That amounts to the same thing, does it not?—Yes; but that is a matter for the Treasury. (Mr. *Knox.*) The Treasury points out that the lease was a short lease upon which to incur such an expenditure, and the War Office set that right by getting a lease for 21 years, and now they are in process of getting a lease for 99 years.

331. The Treasury sanction was given to a lease of five, seven, or 14 years, was it?—That is my recollection.

Sir *John Hibbert.*

332. It was not till this objection on the part of the Treasury that power was taken to obtain lease of a longer period?—I forget whether it was obtained at the instigation of the Treasury; it was a point taken up at the War Office before the Treasury letter. I know it was a point that I raised myself, at all events.

Mr. *Alpheus Morton.*

333. Have the Treasury expressed any opinion to the War Office with regard to this matter?—We have had no letter from the Treasury on the subject.

334. Have you had no complaint from them for not giving them the particulars?—No.

Chairman.

335. Was not the extra expense on improvement of the range incurred after the granting of the lease for the house?—Yes; it was found in order to make the place fit for a rifle range, that it was necessary to do something in the way of draining, and so on. It is difficult to know when you buy something like a swamp how much it would cost to make it a place where people can move about.

Mr. *Alpheus Morton.*

336. I see there is a very large deficit on this Vote, but it is dealt with in the same way as the previous one—it is paid for under other Votes?—Yes.

ARMY APPROPRIATION ACCOUNT.

On VOTE 8.

SUB-HEAD G.—CLOTHING ESTABLISHMENTS AND SERVICES.

MATERIALS OBTAINED BY CONTRACT TO BE MADE INTO CLOTHING.

Chairman.

337. (To Mr. *Knox.*) In paragraph 12 of his Report the Comptroller and Auditor General seems to criticise the explanation, which is, according to him, too frequently given, of "casual differences," for large variations of charge?—Yes.

338. What is your reply to that criticism?—My reply is that in such cases very little further description can be given. A large number of these sums are taken as estimates consequent upon past experience, modified by any facts that are known at the time, and it is not supposed in any case they can come out very accurately, although we hope that they may. A deficit may frequently arise from perfectly unforseen circumstances, but the deficit in many cases is so small that you cannot trace the reason why it varied from the original Estimate, for the original Estimate itself was not so definite as to afford a basis for an exact comparison. I find, for instance, in these accounts, at page 29, where I have happened to open the book, that in the case of Sergeant Instructors of Volunteer Corps we take a grant of 95,000*l.*, and the excess of expenditure was 253*l.*, which is explained as "casual difference." On the next page, 82,000*l.* is taken for "Purchase of re-mounts," and there is a difference of only 500*l.* upon it; that again is explained as "casual difference." You may say we did not buy as many horses as we could have bought for the money, but I do not think the explanation would have been more satisfactory.

339. You mean, I presume, the term "casual differences" is only applied to differences which are either small or very indefinite in this nature?—Quite so.

340. Will you please notice at the end of paragraph 12, an instance is given in this wise, that a certain excess is explained by the War Office "to be partly due for payments for large contracts which were not completed in the previous year, while no mention is made of 'increased purchases in order not to lose advantage of favourable prices,' to which the deficit was ascribed in the Treasury Minute." Is that an instance of the use of the same term?—The term "casual difference" was not applied in that case. We gave the explanation that it was due to payments being made for early deliveries that had come off in the earlier year, and so gave rise to a deficit.

341. I suppose the Comptroller and Auditor General means that is an instance of imperfect explanation?—Yes.

ARMY APPROPRIATION ACCOUNT.

Vote 8.—Materials obtained by Contract to be made into Clothing—*continued.*

Chairman—continued.

342. Do you admit the explanation was imperfect under the circumstances?—The objection rather there is to our having omitted something that was laid before the Treasury; and the Treasury makes the same objection—namely, that no mention was made of increased purchases in order not to lose advantage of favourable prices.

343. May the Committee understand that you will always endeavour to make the explanation as specific as possible?—That is our desire, but when an explanation is given it is not at the time subjected to outside criticism; it may be that it is a little insufficient when outside criticism is brought to bear upon it. We think when we put it down that it is an explanation of the variation, but it may turn out to be insufficient when criticised from outside.

344. (To Sir *C. L. Ryan.*) Does the Comptroller and Auditor General usually find the explanation of differences to be pretty specific?—I think the Comptroller and Auditor General would agree with the view expressed by the Treasury in their letter on page 94, that the explanations have not been quite as full and clear as they might have been in some cases. Of course in the case of very small sums, such as those mentioned by Mr. Knox, I should not raise any objection to the explanation of "casual difference."

345. (To Mr. *Knox.*) We understand you will be good enough to bear this point in mind in future?—Certainly. If you take Vote 11, for instance, it does look as though the explanation of the "casual difference" was repeated very often. There is one, an expenditure of 7,200*l.*, a difference of 34*l.*, explained as "casual difference"; and here is a difference of 374*l.* on an expenditure of 34,000*l.*; a difference of 106*l.* on 41,000*l.*; a difference of 153*l.* on 10,000*l.*; 174*l.* on 7,000*l.*; and a difference of 4*l.* on 2,128*l.* I think the term "casual difference" was justified in all these cases.

Mr. *Arthur O'Connor.*

346. If you look at page 18 you will see a sum of 6*l.* on a total of 11,000*l.*—Yes; we think under those circumstances we are sufficiently exact in explaining the differences as "casual differences."

Sir *John Hibbert.*

347. (To Mr. *Ryder.*) Have you anything to say upon Vote 8, in addition to what is stated in the Treasury letter on page 94?—The particular point to which the Treasury thought it well to draw attention was this—one explanation had been given at one time by the War Department, and had been embodied in the Treasury Minute which was presented to Parliament, giving a forecast of the out-turn of the year, and that explanation was of a peculiar kind, and related to special purchases in excess of the Parliamentary provision, for the purpose of taking advantage of the favourable

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ARMY APPROPRIATION ACCOUNT.

Vote 8.—Materials obtained by Contract to be made into Clothing—*continued.*

Sir *John Hibbert*—continued.

favourable state of the market; but when the War Department made up their Appropriation Account and gave more detailed explanations of the differences between Estimate and out turn, they did not mention this particular cause of difference. The Treasury thought it worth while to draw attention to that. (Mr. *Knox.*) This further explanation lost sight when the explanation for the account was prepared.

348. (To Mr. *Ryder.*) Is this the point to which the words in the Treasury letter, "that the explanations given are not always as explicit and clear as they might be made" refer?—That is one case that we mention, and we mention, I think, one under Vote 9. We speak of some explanations being rather meagre there. That point of the stocks of old stores is, I think, referred to in the Comptroller and Auditor General's Report later on.

Mr. *Arthur O'Connor.*

349. (To Sir *C. L. Ryan.*) I should like to ask whether in this particular instance you looked to see whether there was in a previous year a large unexpended balance surrendered on account of these contracts? The explanation, you will observe, is that the expenditure is "partly due for the payments for large contracts which were not completed in the preceding year"?—I am sorry to say that is a clerical error. One explanation has been transposed from another and the real explanation should have been this: "Owing to payments having been made for large supplies delivered and inspected within the year which would not ordinarily have been paid for until 1893–94." That was the explanation we should have commented upon instead of the explanation quoted in this paragraph.

350. (To Mr. *Knox.*) Then it is just the other way round, is it not. It really came into an earlier year?—Quite so.

Mr. *Alpheus Morton.*

351. You said just now you thought the explanations were good enough until the outside critics took them up?—That applies to some of them. Of course the explanation may not be as clear to them as it is to the person writing the explanation.

352. Is it not advisable to give an explanation for outside people?—Yes, but you may not see the weak point in the explanation till it is criticised. We do draw up an explanation which we think is clear.

353. I suppose in future you could give them ample explanation now you know what the outside criticism is?—Yes, but I hope the explanation of casual differences is not objected to on such heads as I have noted and drawn attention to.

354. The Treasury letter draws attention to other matters besides mere casual differences;

ARMY APPROPRIATION ACCOUNT.

Vote 8.—Materials obtained by Contract to be made into Clothing—*continued.*

Mr. *Alpheus Morton*—continued.

they say, especially, it is not a sufficient explanation with regard to this expenditure of 83,548*l.* 14*s.* above the grant?—Yes.

355. Is there any more explanation to give with regard to that amount than what appears on page 35?—No; it is really an excess of 33,000*l.* It is rather complicated. This sub-head of the Vote is a sub-head to which all material is charged in the first instance, whether it be issued to contractors to make up, or to our own Factory to make up, and from this total sum is deducted that amount which is charged against the Factory on the materials being handed over to it.

356. On another Vote?—No, upon the same Vote. You will see, on page 30, against the sum for materials which it was thought would be worked up, of 250,000*l.* only 200,000*l.* is charged, under which you therefore get a saving of 49,000*l.* That should be deducted from the 83,000*l.*, to show what the actual excess is, as explained in the Vote. That was due to the fact that payments were made for clothing which was delivered early, and inspected within the year.

357. But the Treasury say that the War Office do not continue to give in the Note the explanation which they gave in the first instance?—I think we lost sight of another explanation that was added in the Memorandum we sent to them before the end of the financial year; it was an oversight to have lost sight of that.

358. This explanation is subsequent?—Yes; the other is sent in March of the previous year.

Mr. *Arthur O'Connor.*

359. (To Sir *C. L. Ryan.*) May I ask you a question with regard to your general criticism about this term "casual differences." Looking at the whole estimates generally, is it not fair to say that the explanation "casual difference" is given only in cases of somewhat indefinite services, or, where the services admit of very accurate calculation, the casual differences are very minute fractions?—I do not want to press the point beyond the limit to which I think it may fairly be pressed as put in the Treasury letter; but I do think that in some of these cases the explanations might be fuller and clearer. It has been the object of the Committee rather to insist upon full and clear explanations. They did so very strongly in the case of the Navy, and it was rather following that up and following the Treasury lead in the matter that I introduced the paragraph, but I do not want to press it beyond its legitimate extent.

360. Of course where such an observation could fairly and necessarily be made the omission might be pointed out specifically; but a general observation provokes a general examination of the Estimates; and I am bound to say, having looked all through this Vote from first to last, I observe first of all that wherever an item admits of a close calculation or approaches to it, where-

ARMY APPROPRIATION ACCOUNT.

Vote 8.—Materials obtained by Contract to be made into Clothing—*continued.*

Mr. *Arthur O'Connor*—continued.

ever the words "casual difference" are held to account for a deficit, the deficit represents a very minute fraction; and where a deficit or an excess expenditure is at all in larger proportion, it is only in cases like "Contingencies of Clothing Factory," and others which do not admit of a very exact estimate?—I have really got nothing to add to what I said before. I do not wish to press the point unduly, but I am not prepared to withdraw from what I have said, that I think the explanations might in many cases be fuller. Very often where the explanation "casual difference" is put, while the excess may be a small one, it is the result of a balance as appears in two or three instances which are given further on. But I do not wish to labour the present point.

Mr. *Alpheus Morton.*

361. Paragraph 12 refers to other differences besides the "casual differences," does it not?—Yes, so does the Treasury letter.

362. Do the War Office understand that sort of explanation is insufficient to enable you to discharge your duties?—It is a question of explaining it to Parliament rather than to me, because I have access to the papers and can ascertain what I want.

363. You think there ought to be fuller explanation to Parliament?—I have thought so in some cases.

Mr. *Arthur O'Connor.*

364. Having access to the papers you are in a position to point out where you think there is a good ground for complaint?—Yes. (Mr. *Knox.*) May I say I think the Comptroller and Auditor General is quite justified if he does not think the explanation sufficient in saying so; only we should like him to say it when the explanation goes before him in the first instance, instead of raising the query before Parliament, because if it were raised earlier we could then elaborate our explanation before it comes before Parliament.

Mr. *Alpheus Morton.*

365. Will you in future give a full explanation?—I was only standing out for the use of the words "casual difference," when the difference was very small, but with regard to other differences, if they are questioned we will give fuller explanations. We think the explanations given are full explanations.

366. Seeing that the Comptroller and Auditor General, with the facts before him, has expressed an opinion that fuller explanations ought to be given, can they be given?—If he will point out when the account goes before him that there is a deficiency in the explanation, we will always do our best to satisfy him.

367. That is before it is printed in this form?—Yes.

368. (To Sir *C. L. Ryan.*) Can you do that?—Yes, it could be done.

369. (To Mr. *Knox.*) Then that will be understood, so far as you are concerned?—Yes.

ARMY APPROPRIATION ACCOUNT.

On Vote 9.

WARLIKE AND OTHER STORES—SUPPLY AND REPAIR.

INSPECTION AND PROOF OF STORES.

Chairman.

370. (To Mr. *Knox.*) At the end of paragraph 13 the Comptroller and Auditor General reports that the Appropriation Account for 1892–93 does not contain the Balance Sheet referred to in a previous part of the paragraph, in spite of the recommendation of the Public Accounts Committee, and the further confirmation of the Treasury?—Yes.

371. Why has it not been appended, or will it be appended in future?—The point is under consideration, from this point of view: A method has been suggested under which we should get rid of this account altogether, but that point has not yet been decided. If, however, the Account is continued, as it is the wish of the Committee, and apparently the Treasury, that we should print this Balance Sheet, it shall be printed in future, although the War Office object to that course very much.

Mr. *Arthur O'Connor.*

372. Would you explain what this Balance Sheet in question is?—It shows the expense incurred by the Department which is employed in Inspecting Stores. I do not know what can be the object for which it is sought to be presented.

373. In what sense is it a Balance Sheet?—It is an Expense Account, really.

Chairman.

374. Is "Balance Sheet" the right term for it?—That is the term we use for all our Manufacturing Accounts. It has been used by the War Office for many years, and we still use it. I do not think it is quite a correct term.

375. Would you prefer to correct it or maintain the old name?—That is purely a matter of taste; it is not anything we should stand out about.

376. I presume, as such a balance sheet has been prescribed, you will present it?—If the Account is kept it will be presented.

BRENNAN TORPEDO FACTORY.

377. Following upon that point, you will notice in paragraph 14 there is a question raised about the balance sheet of the Brennan Torpedo Factory. That, I understand, is a matter of more consequence, because it might be objectionable for the public service to give details with regard to the manufacture of these torpedoes; but I learn you are now able to present a balance sheet which sufficiently complies with the requirements of the Comptroller and Auditor General, and yet does not divulge any of the details of manufacture; is that so?—That is my own

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Vote 9.—Brennan Torpedo Factory—*continued.*

Chairman—continued.

own personal view. I have drawn up an account which appears to me to divulge nothing at all, but still, even in that form, it is objected to, and the question is now before the Secretary of State.

378. But you hope, do you not, to prepare such a statement as shall be correct from an accountant's point of view, and yet shall not be objectionable from an administrative point of view?—Yes; the account is in existence, but it has been objected to by the military authorities; and the question is now for the decision of the Secretary of State. I tried to see the Secretary of State to-day and get his decision before attending this Committee, but he was engaged. I hope, however, by the next meeting of the Committee I shall be able to tell you what his decision is

Modification in Form of Production Voucher.

Chairman.

379. At the end of paragraph 16 the Comptroller and Auditor General remarks that he learns from the War Office that it is recognised that the machinery hitherto existing for securing promptitude in the recovery of the cost of various services leaves something to be desired, and that arrangements have been made which it is hoped will supply the necessary safeguards. Are those arrangements now completed?—Yes, they are now in operation. We found, with regard to the transactions which the Director General of Ordnance Factories himself carried on with outside people, that the arrange ments he made were not complete, and that we were not sufficiently cognisant of them to take the necessary steps; but now they are complete, and we shall be in a position to make the claims as soon as they can be made.

380. Those arrangements are now in actual operation?—They are now in actual operation.

Brennan Torpedo Factory.

Mr. *Hanbury.*

381. Going back to the question of the Brennan Torpedo Factory, this Vote 9 purports to be the Vote for the expenses in connection with "Warlike and other Stores: Supply and Repair;" why are not all the salaries in connection with the Brennan Torpedo Factory charged in this Vote?—From the very first initiation of the Torpedo Factory, and of the payments made to Mr. Brennan, it was always held that payments made to him, and the salaries voted to him and his assistants, were in the nature of rewards; and so they have always been provided for in the Vote for Rewards.

Army Appropriation Account.

Vote 9.—Brennan Torpedo Factory—*continued.*

Mr. *Hanbury*—continued.

382. On what ground is it so treated; these men do work in the factory, do they not?—Yes, in the factory.

383. Payments made to them are part of the current expense of the working of the factory?—Yes.

384. And these assistants do not come in, do they, for any share of the reward?—We cannot say. The reward was paid to Mr. Brennan.

385. I do not want to go into that: but there is no reason, is there, why this should not be charged to the current expense of the factory?—The Factory Account will show all that. All these expenses are brought together into the Balance Sheet, and that is the object of the Factory Balance Sheet.

386. Taking this Vote, would not Members of Parliament naturally think that this Vote includes all the salaries paid in connection with the supply of warlike stores?—No, I think not.

387. *Primâ facie* it would appear that was the case, would it not?—No; it provides simply for the Stores and the Inspection Departments. There are very large charges in connection with Stores provided in other Votes.

388. You maintain that the salaries and expenses of the Brennan Torpedo Factory need not necessarily come into this Vote?—Certainly.

Sir *John Hibbert.*

389. But they come into the Balance Sheet?—Yes.

Free Grants of Stores.

Mr. *Hanbury.*

390. (To Mr. *Ryder.*) There is a note on page 39 which I confess I do not understand: "Free grants of Stores were sanctioned by the Treasury as follows." Then we get a sum of 3,520*l.* paid, which I suppose represents the value of the following stores: "Tents, hospital marquees and blankets for the relief of the sufferers by the earthquake at Zante." Where does the Treasury get power to grant these free grants of Stores for purposes in no way connected with the War Office?—I am afraid I cannot at this moment refer to any Act of Parliament which gives the power, but I suppose it is a kind of exercise of the Royal Bounty.

391. But these were articles purchased with moneys granted by Parliament, I take it; does the Treasury hold that it has the right when these Stores have been purchased by Parliament, to give free grants of these Stores for purposes absolutely unconnected with the service for which those moneys were granted?—That is so, I should say, in the case of the earthquake at Zante; but, perhaps, not so much so in the next case, that of the grant of rifles to the Colony of British Guiana.

392. Were those Stores distributed before or

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Vote 9.—Free Grants of Stores—*continued.*

Mr. *Hanbury*—continued.

after Treasury sanction was received?—I am afraid I do not recollect at this moment. Very probably some of them were given at once to prevent the people from perishing.

Sir *John Hibbert.*

393. (To Mr. *Knox.*) Was it not the fact that these Stores were distributed by the Army Department at Zante on the occurrence of the earthquake, and application was made afterwards to the Treasury to approve the grant?—That was the case, certainly. It was the general officer at Malta who sent off the tents and other stores immediately he heard of this disaster to the assistance of these poor people, and that was reported home. I cannot pass the charge in the accounts without superior authority, because it is not an expense that has been incurred in the strict sense for Army Service.

Mr. *Hanbury.*

394. (To Sir *C. L. Ryan.*) How is it that you have not taken any notice of this in your Report. Of course it is not money but Stores, but would it not fall within your duty to report upon a case of Stores being expended in this way without Parliamentary sanction?—I do not think it would fall within my duty unless I thought it was a wrong expenditure, or in any way unjustifiable. I do not think it would fall within my duty to report upon it on the examination of the Stores if it were covered by Treasury authority.

395. Would it not, then, be for you to ascertain whether the Treasury had got this authority?—I am afraid I have assumed in this matter, as in other things, that the Treasury have a prescriptive right to do this.

396. Have we got to this: that in the opinion of the Comptroller and Auditor General the Treasury have a prescriptive right to make a free grant of Stores to any amount; this might have been 100,000*l.* instead of 3,000*l.*?—Had it been a very large sum I should have noticed it.

397. I should have thought 3,500*l.* was a large sum. I only want to arrive at the fact. Is it the fact that Parliament, neither through the Comptroller and Auditor General nor through the Treasury, has any veto whatever upon free grants of Stores purchased with moneys granted by Parliament, and that the only way in which it is brought before our notice at all is a casual note in this Appropriation Account?—It never has been questioned before.

398. Then it happens often, does it?—It has happened before now.

399. Have we not even had a note of it?—Of course you would have a note of it, but it has not been considered to be beyond the power of the War Office and the Treasury to make a grant of that sort out of Stores in the case of an emergency, such as an earthquake.

Army Appropriation Account.

Vote 9.—Free Grants of Stores—*continued.*

Mr. *Hanbury*—continued.

400. Without its being brought to the attention of Parliament?—It is brought to the attention of Parliament.

401. This is a most informal note. I suppose it was put in by you?—No; it was put in by the War Office.

402. Why is it that any irregular expenditure of money the Comptroller and Auditor General has to deal with and to mention in his Report on the Appropriation Accounts, whereas, so far as I understand now, an irregular expenditure of Stores he need not deal with?—It is only quite recently, within the last few years, that there has been any examination at all of Store Accounts, and the rules with respect to the examination of Store Accounts have never been so stringent as with regard to cash. I am not prepared to say it would not be desirable that it should be within the duty of the Comptroller and Auditor General to notice anything of this kind, and after what has happened, so far as I am concerned, I will undertake it shall receive attention.

Sir *John Hibbert.*

403. If this grant had not had the previous approval of the Treasury, I suppose you would have called attention to it?—Yes; but that safeguard does not meet the point of the honourable Member, as I understand.

Mr. *Hanbury.*

404. You have checked the War Office but not the Treasury, as I understand?—I quite admit this is a point that has not been considered hitherto to be part of the Comptroller and Auditor General's duty.

405. Would you require further Parliamentary power?—I am not at all sure I should be able to ascertain what had occurred unless it was stated by the War Office.

406. You are not clear that it would be within your powers as they exist at present to take any notice of free grants of this kind?—I should not like to tell the Committee that I was in a position to ascertain and report any case of this kind that may occur, because, although where it is brought distinctly to notice on the Account, or where there is a correspondence with the Treasury upon the subject, it might come under my notice, yet if it was done without any Note on the Account I do not know that it would.

407. Supposing this was a free grant of Stores to the value of 100,000*l.*, you are not sure, as I gather, whether it would have been within your authority to take any notice of it?—I think it would have been within my authority to bring anything I thought proper before Parliament. I do not think I am restricted in authority, but where I might find a difficulty with regard to the case would be the knowledge of its having taken place.

408. If it had been an expenditure of money you would have had authority to demand the full information

ARMY APPROPRIATION ACCOUNT.

Vote 9.—Free Grants of Stores—*continued.*

Mr. *Hanbury*—continued.

information from the Treasury, and from the War Office?—Yes.

409. But in this case you have not got that authority, you say?—I have not got it because stores cannot be followed as money is. I know all the money that the War Office has. I can follow the amount of each Vote, and call upon them to account for every portion of it. I cannot follow stores in the same way.

410. In fact you would not have known, in your capacity of Comptroller and Auditor General, that these stores were missing at all, in the absence of any note or correspondence?—Quite so. (Mr. *Knox.*) It was suggested just now that the Treasury had checked the War Office, but that can hardly be said to be the case. When this issue was made, and became known to me, I said that this could not be passed without superior authority, and therefore a letter was written to the Treasury. It is my duty, a duty which I think I perform, whenever anything of this kind does occur to get superior authority. We have certainly always hitherto got that superior authority. My own notion was that the Treasury ought to take a Vote for these stores when they are granted for service outside the War Office Services altogether. If we issue them, and they sanction the issue, I think they should take a Vote and repay us for the stores, for we have lost the stores for Army purposes.

Mr. *Alpheus Morton.*

411. Did they not take a Supplementary Vote in a similar case of relief granted to Newfoundland?—Yes.

Mr. *Hanbury.*

412. I take it if you had not let the Treasury know the Treasury would not have known that these stores had gone?—Quite so; that is where my function came in.

Sir *John Hibbert.*

413. (To Sir *C. L. Ryan.*) Supposing this note had not appeared with regard to the way in which these Stores had been used, and you had had the information given to you by the War Office that the Stores had been used in this manner, would you have drawn the attention of Parliament to the mode in which they had been used?—If it had come to my knowledge that the Stores had been used in connection with what was not strictly a War Office Service, and that the War Office had done it without going for superior authority, I should certainly have called upon them to go to the Treasury.

414. Even assuming that they had got the assent of the Treasury to this mode of distribution if there had been no notice taken of it on the face of the Vote, would you have felt it your duty to draw the attention of Parliament to it?—Yes. I think so, assuming that I had the know-

ARMY APPROPRIATION ACCOUNT.

Vote 9.—Free Grants of Stores—*continued.*

Sir *John Hibbert*—continued.

ledge. (Mr. *Knox.*) Of course this note is put in to acquaint Parliament with what has occurred. I have heard several remarks made to-day to the effect that putting information in this account practically does not publish it at all. It appears to me that putting a thing in this Account lays before Parliament in a most definite way, and in a way that is most likely to attract the attention of Members of Parliament. I suppose nothing is so sifted as the Accounts laid before this Committee.

Mr. *Hanbury.*

415. (To Sir *C. L. Ryan.*) Was it through a note of this kind that you first knew of this free grant?—Yes, because it is impossible for me to have a knowledge of the distribution of the Stores.

Mr. *Buchanan.*

416. (To Mr. *Knox.*) So far as your knowledge and experience goes, all free grants of Stores in the past have always had the sanction of the Treasury?—Always.

417. And that you consider it your duty to obtain?—Always.

418. And a note has been made of the application?—Yes.

419. That, at any rate, you recognise as being your duty?—Yes.

Mr. *Arthur O'Connor.*

420. This note is a note at large; it does not refer to any particular Sub-Head; it need not have been there, as I understand?—I think the Treasury advised that a note should be so inserted.

421. The Treasury and the War Office have caused it to be put there?—Yes.

422. If it had not been put there would the Comptroller and Auditor General have been able to arrive at the information?—It would have been discovered on a detailed examination of the Store Accounts, which he has power to make.

423. Do you mean locally?—No; the accounts would come home for examination; they would be the accounts from Malta in this case.

424. (To Mr. *Ryder.*) Was not there a similar distribution, not of stores but of cash, by Mr. Disraeli when he was Chancellor of the Exchequer on the occasion of the Clerkenwell explosion; did he not, so to speak, go round with a bag of money and relieve anybody who wanted it on the spot?—I forget at the moment whether that money was not provided from the Civil Contingencies Fund.

425. But it would have to be provided again to the Civil Contingencies Fund?—Certainly.

426. Did the Comptroller and Auditor General report specially with regard to that money?—I do not specially remember, but, of course, he would have done so because it was cash. If there was money distributed that

Army Appropriation Account.

Vote 9.—Free Grants of Stores—*continued.*

Mr. *Arthur O'Connor*—continued.

money must have been provided for by Parliament, and if it was advanced from the Civil Contingencies Fund it would have had to be replaced.

427. (To Sir *C. L. Ryan.*) Following out what Mr. Knox says, if this note had not appeared I understand you would have become aware of what had taken place when you came to examine the Store Accounts in detail?—If I examined the Store Accounts in absolute detail I should, but the examination of the Store Accounts is a test examination of a very limited character.

428. Assuming the Accounts are what they ought to be, namely a financial reflection of actual facts, an issue of stores of over 3,000*l.* in value would be recorded there in some way, and would, I presume, come under your cognisance?—It might.

429. Then the circumstances being recognised you would be able to report to this Committee?—Yes, but I should be entirely misleading the Committee if I led them to suppose that the examination of the Store Accounts is a detailed examination. Even the cash account is not a detailed examination, still less the Store Account.

430. I suppose all the work of the Comptroller and Auditor General's Department has been on the grow and is much larger now than formerly, and, hereafter, we may anticipate improvement in the examination of the Store Accounts such as would enable you to detect such an occurrence as this?—That would need a very large increase of staff. (Mr. *Knox.*) The Store Accounts are all examined by my branch, and the Comptroller and Auditor General applies a test examination to see that we are doing our duty; we do not know, of course, what he will examine, and so his control practically runs through all the accounts.

Mr. *Alpheus Morton.*

431. This charge of 3,500*l.* is entirely foreign to the War Office Services, is it not?—Entirely.

432. Do you not think they ought to have come a for separate Vote?—I think the Treasury ought to have come for a Supplementary Vote.

Sir *John Hibbert.*

433. Would the Treasury be the proper authority to come for a Supplementary Vote—would it not be the War Office?—No, because it is not a War Office expenditure.

434. Nor is it a Treasury expenditure?—No, but the Treasury approve it.

Mr. *Hanbury.*

435. You mean that if there were a Supplementary Estimate it would have to be a Civil Service Estimate?—That is what I mean. It would not be for War purposes.

436. The Army Vote would be less by 3,500*l.* if you had not taken out these stores?—Sometime or other it would have to be made up, no doubt.

Army Appropriation Account.

Vote 9.—Free Grants of Stores—*continued.*

Mr. *Arthur O'Connor.*

437. (To Sir *C. L. Ryan.*) Supposing for military purposes, so-called, it was considered advisable to supply certain tribes on the West of Africa with 3,000 or 4,000 rifles we will say, to use against the French secretly, would the Comptroller and Auditor General be made aware of that transfer of stores?—If they were supplied for military purposes I do not know that he would.

438. In the case I am putting it would be for diplomatic purposes?—You will find when you come to the Civil Service Accounts that there have been issues under the Diplomatic Vote of War Office Stores to which I have called attention.

Mr. *Alpheus Morton.*

439. Do you not think that there should be a Supplementary Vote taken in respect of this free grant of stores?—I agree with Mr. Knox that it should not remain as a final charge upon the Army Votes, and that the Army Votes should be recouped from the Civil Service Votes.

440. That cannot come in this year now except by a Supplementary Vote?—No.

441. (To Mr. *Knox.*) What is meant by this free grant of 400 Martini-Henry Rifles to the Colony of British Guiana?—There was a garrison there of ours, and we were withdrawing it, and of course the Colony from which this protection was withdrawn did not like it, and it was thought advisable to smooth matters over by making a presentation of these Arms to the Colony on the withdrawal of the troops for arming the force which the Colony set up.

442. They are now left to defend themselves with these rifles?—Yes.

Brennan Torpedo Factory.

Mr. *Alpheus Morton.*

443. I understood you to say that the military authorities rather objected to giving the balance sheet referred to in paragraph 14 in regard to the Brennan Torpedo Factory; has the Secretary of State or have the military authorities a right to refuse it?—They can only represent their view very strongly, and I suppose if they do refuse it the Secretary of State and the military authorities will probably come here and give the Committee their reasons. I cannot see any reason, myself, for withholding such an account as I have suggested.

444. I gather, however, we are likely to hear about it soon?—Yes.

Inspection and Proof of Stores.

Mr. *Arthur O'Connor.*

445. Returning to paragraph 13, what is the expense connected with the inspection of stores, of which the balance sheet has not been furnished?—It arises in connection with Sub-Head A., Vote 9.

4 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

ARMY APPROPRIATION ACCOUNT.

Vote 9.—Inspection and Proof of Stores—*continued.*

Mr. *Arthur O'Connor* – continued.

Vote 9. The grant there stated of 138,000*l.*, was taken for the salaries and wages of the men employed. Of course it is understood by the Committee that this Inspection Department does all the inspection of warlike stores for both the army and navy, though the navy makes a considerable contribution towards it It is the account which brings out the claim against the navy on account of this expenditure, that the Comptroller and Auditor General is anxious to have laid before Parliament.

446. Why should he not have it?—As I have said, if the account goes on, you will get it.

447. I do not mean this Committee, but why should not the Comptroller and Auditor General have it?—It is open to the Comptroller and Auditor General; he has it. The only question is whether it should be shown as an Expense Account in the Appropriation Accounts. (Sir *C. L. Ryan.*) I have got all the facts for my purposes.

448. Does the Comptroller and Auditor General still urge that this balance sheet, so-called, should be annexed to the Appropriation Accounts?—That was the view I held, and the view of the Public Accounts Committee.

449. Do you still hold the same view?—I see no reason to alter that opinion. (Mr. *Knox.*) I may point out it is not directed to be laid before Parliament. The Manufacturing Accounts are directed by Statute to be laid before Parliament, but this is not a Manufacturing Account; it is simply an account of wages and other expenses incurred in inspection.

450. (To Mr. *Ryder.*) When the Comptroller and Auditor General makes a submission or a recommendation, and the Committee approves and endorses it, and the Lords Commissioners of Her Majesty's Treasury in their Minute sanction and endorse it, and the War Office takes no notice, what do the Treasury do?—I think the Treasury would probably draw the attention of the War Office to their omission, and as a last resort the circumstances would be represented to this Committee.

451. And then this Committee having already expressed its opinion, what would be the next step?—It would be open to the Committee to mark their sense of the conduct of the War Department by disallowing their accounts.

452. This is not a question of allowance or disallowance, but a question of the presentation of a certain document. There is nothing to disallow in this case?—I do not of course recommend such a step; but it seems to me possible for the Committee in the case of a Department being absolutely contumacious to say, Well, we shall not allow your accounts at all.

453. Then, I suppose, the Treasury would write another Minute upon the Report of the Committee, and what would happen then?—It might be brought before Parliament.

ARMY APPROPRIATION ACCOUNT.

Vote 9.—Inspection and Proof of Stores—*continued.*

Mr. *Arthur O'Connor*—continued.

454. (To Mr. *Knox.*) I want to see where we are to get into the world of reality, because it seems to me when the Comptroller and Auditor General who is the officer of the House of Commons makes a Report to this Committee, and this Committee records an opinion, and the Treasury as the administrative centre makes a Minute in accordance with that recommendation expressing the concurrence of my Lord Commissioners, and the Department concerned takes no more notice than it does of the east wind, we are getting rather into a position of absurdity?—(Mr. *Knox.*) The War Office has been considering the point, and its view has been that we should abolish the Account altogether; that there was no necessity for it.

455. I am not concerned for the moment with the position of the War Office, but with the position of the Treasury. The War Office is good enough to consider the point after this Committee; the Comptroller and Auditor General and the Treasury have all agreed upon what ought to be done. (To Mr. *Ryder.*) While the War Office is considering whether it shall abolish the Account or not, what does the Treasury do?—I think the Treasury waits for a further expression of opinion from this Committee.

456. Who is the official in the Treasury who is concerned with the enforcement of the Treasury Minutes and the recommendations of this Committee; is it the Financial Secretary, who is a member of this Committee?—I think the proper answer would be that it is the Treasury Board.

457. Is it the First Lord of the Treasury?—I should say the Board as a whole, who would probably be represented by the Chancellor of the Exchequer in a matter of great moment.

Mr. *Alpheus Morton.*

458. We could bring the matter before the House of Commons at any moment by attacking either of those Ministers?—Certainly.

SUB-HEAD F.—SMALL ARMS.

Chairman.

459. (To Mr. *Knox.*) I see there is a saving of 130,000*l.*, shown on page 38, on Small Arms, which, I understand, is due to some delay in not being able to go on with the rifles; does that delay occur at Enfield?—No; it was in the delivery by the trade, by the contractors.

460. It does not apply to the Small Arms Factories?—No.

Mr. *Hanbury.*

461. Are the trade under any penalties for non-delivery?—I do not think they are in this case.

[The Witnesses withdrew.

Wednesday, 11*th April* 1894.

MEMBERS PRESENT:

Mr. Bartley.
Mr. Buchanan.
Mr. Cameron Corbett.
Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Webb.
Mr. Arthur Williams.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Mr. RALPH HENRY KNOX, C.B., re-called; and further Examined.

On VOTE 10.

WORKS, BUILDINGS, AND REPAIRS.

EXPENDITURE PROVIDED IN ESTIMATE EXCLUDED FROM ACCOUNT.

Chairman.

462. (To Mr. *Knox.*) IN paragraph 20 of his Report the Comptroller and Auditor refers to a sum of 139*l.* 15*s.* 7*d.*, which he thinks should be removed from the account of the Barracks Reconstruction Fund, and added to that of Vote 10, because the classification of this expenditure must, in his opinion, follow the estimate laid before Parliament. Upon this point a letter appears to have been addressed by him to the War Office, to which no reply had been received at the time of his Report; can you now give to the Committee the explanation which the Comptroller and Auditor General asks for, and can you say whether steps are being taken to remove this item to its proper heading?—A reply has been sent to the Comptroller and Auditor General, but no steps are being taken to remove this as a charge against the Loan. I may explain that this occurs from a little confusion, arising from the fact that the Loan expenditure is managed by a branch under the Inspector General of Fortifications, different from that of the barracks ordinarily; and that in consequence of a want of conference, as it were, between these two branches, the service was practically provided for in both places; that is, both by the Barrack Department and also under the Loan. As soon as it was ascertained that a large service including this item had been provided for under the Loan, of course we thought it necessary

Chairman—continued.

to withdraw this charge, which had certainly originally been contemplated as a charge against the Army Estimates amongst the current repairs for the year.

463. (To Sir *C. L. Ryan.*) May I ask whether you are satisfied with the explanation Mr. Knox has given?—I agree with what Mr. Knox has said, that practically this service may be said to have been provided for under both the Barrack Loan and the Army Votes. At the same time the principle upon which I went was, that wherever definite provision was made in the Estimate for an amount, it should be charged to that Estimate.

464. But under the circumstances would you not make an exception in favour of this particular item?—Under the circumstances, I should be very much guided by whatever decision the Treasury come to in the matter. The Treasury would be the authority to sanction the charge as upon the Loan, and if the Treasury think proper to admit it as a charge upon the Loan I should not think it my duty to pursue the matter further.

465. (To Mr. *Ryder.*) You hear the Comptroller and Auditor General says that if the Treasury agree, he would not mind about the transfer being given up; would you say what the view of the Treasury is?—The view of the Treasury, I believe,

Army Appropriation Account.

Vote 10.—Expenditure provided in Estimate excluded from Account—*continued.*

Chairman—continued.

I believe, would be that when the War Department found they had made a mistake in their original application to the Treasury, which was for leave to transfer this charge from Part III. to Part I., Vote 10 of the Army Estimates, they should have written again to the Treasury and told the Treasury of their mistake. If they had done so, the Treasury would, in all probability, have sanctioned a charge of this service to the Loan. One circumstance which would have weighed very much with the Treasury is the fact that the item in which this sum of 1,000*l.* for repairing the roof at the Cape Town Barracks is provided, is not detailed in any way in the Estimate. The details of that item are not known to the Treasury or to Parliament, and therefore although, as a fact, the 1,000*l.* was included in it for this service by the War Department, yet there would be no breach of faith with Parliament in not charging the service to the Vote, but charging it to the Loan, where there was an open provision of 80,000*l.* for new barracks at the Cape, which provision had been made known to Parliament in the scheme of expenditure out of the Loan in the year 1890.

466. Then, on the whole, I gather the Treasury would be satisfied?—The conclusion at which the Treasury would arrive is that the charge may be allowed to remain against the Loan.

Sir *Arthur Hayter.*

467. (To Mr. *Knox.*) It is admitted, as I understand by the War Office and by the Treasury, that there is considerable difficulty in apportioning expenditure between the Barracks Reconstruction Loan and Vote 10; but if (as the Public Accounts Committee suggested last year), you issued programmes of what you intended to charge to either source, you could probably carry that out, could you not?—A programme is issued, or it is at least in existence; but that programme, it is found from pressure of circumstances, has to be modified from time to time. For instance, to take the Barracks Act; very considerable items have to be struck out of the Barracks Act in consequence of the great rise in prices and in payments for wages. I mention that as an instance of one of the pressing circumstances which necessitate revision. Then as matters go on, it is found that a service which was not thought so pressing at the time the Loan was under consideration, has become much more pressing than some other service which has been included in the Loan. It is found, for instance, that some barracks have had an unfortunate experience, and are practically tumbling down; it is better to commence with barracks of that kind than to begin with replacing some that are not in such bad circumstances. That was really the condition upon which the loan was obtained, and upon which it was to be worked. But

Army Appropriation Account.

Vote 10.—Expenditure provided in Estimate excluded from Account—*continued.*

Sir *Arthur Hayter*—continued.

I do not think there is, ordinarily speaking, any very great difficulty in discriminating between the two in the accounts. The services are practically identical; they are the same class of work, only it is thought advisable to charge one against the Loan and the other against the Vote.

468. In a case where you have to vary a charge from one to the other, you would ask Treasury sanction, would you not?—If the work had been commenced upon the Estimates, and was proposed to be transferred to Loan, we should certainly do so, unless it occurred in an initiatory stage. We did not do it at the commencement of the Loan; there were some works that had been began, and as the Loan had been obtained, it was thought advisable they should be struck out of the Estimates and put upon the Loan, but those are the only transfers that are being made or that have been made at all.

Ordnance Store Buildings, Weedon; Provision of Arm Racks.

Chairman.

469. (To Mr. *Knox.*) At the end of paragraph 18 of his Report the Comptroller and Auditor General calls attention to an item of 452*l.* relative to arm racks at Weedon, and says he is unable to approve this expenditure, which has neither been provided for by Parliament, nor sanctioned by the Treasury. Under these circumstances, what does the War Office propose to do?—To wait for the result of the discussion before this Committee.

470. Do you consider that the item must be allowed, or disallowed, or what?—We should say, certainly, that it must be allowed.

471. Then what grounds would you adduce for its allowance?—The Treasury practically approved the expenditure, but thought that under the circumstances, when the Vote was under consideration, some mention of it should be made to the House of Commons in Committee of Supply. The Minister in charge of the Estimate did not find an opportunity for making that statement, and, therefore, of course that condition which the Treasury made was not complied with. In consequence of that the Treasury seems to think that this expenditure, which was approved otherwise, should not be made a charge against the grants.

472. Then you hope that after your explanation this Committee will be pleased to recommend the allowance of this expenditure?—All the explanation I can give is that an expression of regret was made to the Treasury that it was found impossible to comply with the condition they had made, when the Votes were under discussion.

473. (To

ARMY APPROPRIATION ACCOUNT.

Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Chairman—continued.

473. (To Sir *C. L. Ryan.*) What would you say, after hearing the explanation just given by Mr. Knox?—It does not rest with me to give any decision upon the matter. My action is purely ministerial, under the Exchequer and Audit Act. As the Treasury did not think proper to give their sanction to the expenditure I was bound to report upon it.

474. (To Mr. *Ryder.*) Would you tell us what the view of the Treasury is upon this point?—The Treasury gave a conditional sanction to this expenditure, and, in the letter giving their sanction, they said, My Lords are ready to concur if such and such conditions are fulfilled. That letter was not an absolute sanction; it was purely a conditional sanction. Later on they learnt that these conditions had not been fulfilled because it would have been inconvenient to fulfil them. The view of the Treasury was that this was a serious thing, taking advantage of a purely conditional sanction for doing the work and yet not fulfilling the conditions. If it was inconvenient to tell Parliament by word of mouth, a printed Memorandum might have been issued to the House. Under the circumstances, therefore, when the Treasury found that the work had been done, and yet the conditions had not been fulfilled, they told the War Department that their sanction was withdrawn; in fact it had never been completely given. The object they had in view was to bring the circumstances to the knowledge of Parliament and of this Committee.

475. The Treasury appear to have received an expression of regret from the War Department; has it taken any action upon that?—I think the Treasury would feel that their object had been attained. The War Department not only has given expression to its regret, but it has had to defend its conduct before this Committee, and this Committee will have had an opportunity of forming its own judgment upon the case. That being so, the Treasury would be perfectly satisfied if the Committee recommend in their Report that the sum should be allowed; the Committee should not imagine that the Treasury are pressing for its disallowance.

476. (To Mr. *Knox.*) Do you wish to add anything on behalf of the War Office?—I think the condition which was made by the Treasury is really an impracticable condition to make, and seems to have been suggested rather from ignorance of the ordinary proceedings in the House of Commons. I think it is perfectly clear that when a service of this kind which is new is proposed before the Vote has been granted by the House of Commons, it being a new item which would ordinarily be stated *eo nomine* in the Vote, a revision of the Vote should be laid before the House, but that if the Vote has already been passed then the Treasury should act upon its responsibility in authorising the expenditure or not. I think that there should be some definite rule with regard to such items of expenditure where a variation is proposed. That is to say if it is proposed before the Vote has been taken, a revise of the Vote should be placed before the House; if it is proposed after the Vote has been taken, then the Treasury should specially sanction it under the powers which they possess. But to make a suggestion that a certain thing should be mentioned in Committee of Supply as a matter of course before the Vote shall be obtained, appears to me to be an impracticable suggestion.

ARMY APPROPRIATION ACCOUNT.

Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Chairman—continued.

Sir *John Hibbert.*

477. As I understand, what you objected to was rather the form, in which the Treasury laid down their conditions with regard to giving information to the Committee of Supply?—Quite so.

478. Did you, when you objected to that form, make any representation to the Treasury as to any other way in which the information could have been given?—No. This is a request that something should be done in future, and it was hoped and expected that the opportunity would have arisen, and that the explanation might have been made; but that opportunity did not arise; and that is the position in which we find ourselves. No suggestion was made at the time as to the way in which the information could better be given.

479. Have you any suggestion to make now with regard to the future?—Yes; we have now had practical experience that this sort of condition is an unwise condition to make, and I do suggest that if a variation from a Vote as originally presented is proposed before the Vote is taken, a revise of that Vote should be presented to Parliament.

480. So as to be before the Committee of Supply when the Vote is considered?—Yes.

Mr. *Arthur O'Connor.*

481. With regard to these Ordnance Store Buildings at Weedon, I suppose the substantial accuracy of this paragraph of the Report of the Comptroller and Auditor General is admitted as regards the facts?—Yes.

482. Then a condition was imposed by the Treasury which in your opinion was an impossible condition, and suggested, I think you said, rather an ignorance of the proceedings of Parliament?—It was a condition, as to the fulfilment of which there was, of necessity, considerable uncertainty.

483. The point I wish to put to you whether the War Office, knowing the condition was either impossible or very doubtful, accepted the condition, or at all events said nothing about the difficulty of comply with it, and having done that proceeded with the work without making any communication to the Treasury as to their doubt about

11 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

Army Appropriation Account.

Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

about the possibility of fulfilling their condition?—The War Office has a very great respect for the Treasury, and the Treasury having suggested this course, it, very naturally, I think, tried it, and found it to fail.

484. At all events no communication was made to the Treasury as to any doubt existing in the minds of the War Office authorities, as to the possibility of carrying out the condition?—No.

485. Then the War Office proceeded to act upon this conditional sanction of the Treasury for the new work?—Yes.

486. What was the date when you obtained the sanction of the Treasury?—The correspondence is printed at pages 71 to 73; there are a number of letters about it.

487. I suppose it would be May 1892?—Yes.

488. How soon after that did you discover that it was necessary to proceed with the shed for camp equipment at Pembroke Dock?—I think it was proceeded with at once.

489. At the very same time that the conditional permission was obtained for the racks?—Yes. I see the words in the letter of the 10th May 1892 are, "If the Secretary of State will defer active steps for this purpose until the Works Vote has been taken."

490. The point I want to put is this: it seems to me that at the very time you accepted a conditional sanction from the Treasury the War Office was already in such a position that it must have known that the condition was impossible?—No; the Vote had not yet been taken.

491. But the works had been begun?—I cannot say for certain, but I believe they were.

492. You were not in a position to comply with the condition imposed by the Treasury, but you did not let the Treasury know about it?—My impression is that the works were begun. I cannot say for certain.

493. (To Mr. *Ryder.*) Assuming the dates and the facts as they are stated here, were the Treasury really serious in proposing to disallow, or withhold their sanction from, an expense which had already been incurred and was actually in course of fulfilment?—I think the Treasury was quite serious.

494. Assuming that the work for which they refused to give their sanction had actually been begun, and that money had been expended upon it during the financial year in question, what could be the use of insisting upon the charge being thrown upon a subsequent year, or appearing first as a disallowance, and then as a charge, in subsequent accounts?—The use of disallowing the expenditure was that the Comptroller and Auditor General reported upon the circumstances and brought them before this Committee. That, I think, was the main object that the Treasury had in view. The Treasury had, in May, given a purely conditional sanction to a particular work; they had asked that the Secretary of State should defer active steps until the Works Vote had been taken, and that he would make a point of informing the Committee of Supply of the substitution of this work (that is, as between the racks and the shed) either by word of mouth or by the circulation of a memorandum. Obviously it would have been possible to do one or the other.

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Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

495. The money having been actually expended upon a service to which the Treasury demurs subsequently, as you cannot get a refund of the money paid from the tradesmen or payees, is not the disallowance a very unreal proceeding?—I submit not. It has this reality, that it forced the circumstances to be declared and brought under the notice of this Committee. But I entirely agree with the honourable Member that it would be contrary to common sense to permanently disallow this charge, and therefore the Treasury does not recommend that the Committee should permanently disallow it, or suggest to Parliament that it should be permanently disallowed.

496. Then does the Treasury mean that having been reported to this House the charge will appear in a subsequent account?—No; if the Committee so recommend it will be passed as a charge against the Vote for 1892–93.

497. Assuming the disallowance is enforced, it is merely a question of delay, is it not?—Assuming the disallowance is enforced by this Committee, it would have to be postponed until either the Committee change their mind and allow it as a charge against a later year's Vote, or until the accounting officer had made good the deficit.

498. Does the Treasury really mean to suggest, or does it expect the Comptroller and Auditor General to suggest, to this Committee that the money should come out of the pocket of some individual culprit at the War Office?—Most certainly not, and I am sorry I have failed to make my meaning clear. The object of the Treasury was to obtain publicity for these circumstances, and when that object has been attained the Treasury would be quite content if the Committee recommends the allowance of the charge against the Vote for 1892–93.

499. The object of the Treasury, then, has been so far attained that the Comptroller and Auditor General has reported to this Committee; and I suppose the point before the Committee that now interests the Treasury is that of the non-compliance with the condition laid down by them?—It is very much interested in the observance of any condition attached to their sanction.

500. What do the Treasury wish or intend or expect that the War Office should do to carry out that condition?—They suggested that either a verbal statement should be made in the House upon the subject; that is to say, an explanation when the Vote was being taken that a new item was substituted for the one that appeared in the Estimate;

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Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

Estimate; or else (and that is much the safer course and one that has been taken before) that a Memorandum should be presented to Parliament explaining that a certain item mentioned on one page of the Estimate will be dropped and another item put in is place.

501. Did the Treasury suggest that alternative in terms?—Yes, in terms. In their letter of 10th May 1892, the words are "either by word of mouth, or by the circulation of a Memorandum." The latter course has been taken before now. I remember a case not very long ago where a statement was presented by the Admiralty in a similar case.

502. Assuming that no Memorandum was circulated, it would be either for the Secretary of State or for the Financial Secretary to the War Office to make a verbal statement to the House?—Yes.

503. Of course, such a Memorandum would have to be circulated before the Vote came on, or else it would not be of any use?—Certainly.

504. Failing the circulation of such a Memorandum, the only means of complying with the condition laid down by the Treasury would be for the Secretary of State or the Financial Secretary to the War Office to make the announcement by word of mouth in the House?—Yes.

505. Then the failure to comply with the Treasury's condition was a failure on the part of the Secretary of State or the Financial Secretary?—Yes.

506. Has either of those gentlemen been approached, so far as you know, on this matter?—A correspondence took place in November upon the subject.

507. Then this is what we come to when we examine the point closer: that either the Secretary of State or the Financial Secretary to the War Office has personally failed to make the communication to the House of Commons?—Or to write to the Treasury and explain that the condition imposed was an impracticable one.

508. But that was not done?—That was not done.

509. Now, unfortunately neither of those gentlemen is here, and we therefore cannot ask them whether any official representation was made to them as to the necessity of a verbal communication to the House?—Mr. Knox can speak as to that, no doubt. (Mr. *Knox.*) These papers went before the Financial Secretary, and he was informed of the condition.

Mr. *Alpheus Morton.*

510. (To Mr. *Knox.*) With regard to this disallowance of 452*l.* 18*s.* 2*d.*, we are told it was "inconvenient" for the matter to be mentioned to the Committee of Supply; but it is added that it was an "unimportant object." Do you consider it an unimportant matter?—It was a work of very minor importance. £.1,000 had been taken, I believe, in the Estimates to provide a shed at Pembroke, on which it was contemplated that 1,000*l.* would be spent. It was found subsequently that the 1,000*l.* could not be spent upon Pembroke; but this very pressing service, which arose in consequence of the issue of the Magazine rifles, and the storing of them at Weedon, had come before the Works Branch to be provided for; and having found that only some three or four hundred pounds could be spent upon the shed at Pembroke, sanction was asked to commence spending some three or four hundred pounds upon these racks at Weedon. We should regard that as a service of the very smallest importance.

511. But the Comptroller and Auditor General appears to have disallowed it?—Yes; that is in consequence of this request of the Treasury not having been complied with.

512. That is what I mean; do you not consider that the request of the Treasury was important?—They made this condition; and as I have said, I think that when any variation is proposed in a Vote before it has been taken, it is advisable that a revise of the Vote should be laid before Parliament.

513. Do you know why it was inconvenient to mention this to the Committee of Supply?—I think it was in the pressure of getting the Votes late at night, which is very well known to Members of the House of Commons.

514. We are dealing with the year 1892, and you will remember we had plenty of time then; we were passing through the Votes at the rate of 10 or 12 or 20 or 30 Votes a night?—That implies some pressure, I should think.

515. It was not the pressure so much, as that honourable Members were not taking any notice of it, and allowed it to slip through anyhow; that being so, would it not have been advisable to bring in a Supplementary Vote?—There was no necessity for a Supplementary Vote, because it was not additional expenditure; it was only a diversion of expenditure. The Vote should have been revised, as I have said.

516. It was expenditure upon items not allowed for before?—Yes.

517. Why should not the Supplementary Vote have been asked for?—There was no necessity for asking for more money.

518. It would only mean, would it not, that you would return a larger excess upon the Vote?—No, it would be an additional Vote for which the Chancellor of the Exchequer would have to provide.

519. In this case you returned some money on the Vote, did you not?—Yes, ultimately; some nine months afterwards.

520. You appear to admit that it ought to have been mentioned to the Committee of Supply; but

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Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

but as it was not mentioned, would not the way out of the difficulty have been to inform Parliament?—If I remember rightly Supply would have been concluded very soon after this Vote was taken.

521. But we had a Supplementary Estimate at the beginning of 1893; is not that so?—Yes, there was a Supplementary Estimate at the beginning of 1893.

522. I suggest that as the way out of the difficulty?—When we are within the Estimates we always look to Treasury authority for arranging these minor affairs; that is the rule.

523. Then you blame the Treasury for not putting this matter right?—No. We refer to the Treasury for their authority for disturbing the Estimates as laid before Parliament, and their authority we hold to be sufficient. They only gave a conditional authority, and that condition was not complied with.

524. Thereupon the Comptroller and Auditor General disallowed it?—Thereupon the Comptroller and Auditor General disallowed it.

Sir *John Hibbert.*

525. I suppose it was not intended to set the the Treasury at defiance?—Certainly not.

526. It was a mere omission of attention to the condition they imposed?—Quite so.

Mr. *Alpheus Morton.*

527. It is suggested now, as I understand, that we should pass it over and take no further notice of the matter?—No. The Committee is at liberty to make any recommendation upon the point.

528. And that is your proposal?—No; my proposal is that it should be allowed. This Committee can pass it, if it is satisfied with the explanation that has been given, and if it passes it, it will be allowed.

529. What is the good of the Comptroller and Auditor General if we simply pass things over his head?—It is his function to call the attention of this Committee to what has occurred, in order that they may suggest what course they would like to have adopted in the future.

530. Would that give an opportunity of securing a better state of things in the future?—Certainly; the recommendations of the Committee carry considerable weight.

Chairman.

531. (To Sir *C. L. Ryan.*) You have provisionally disallowed this charge in the execution of your duty; would you, under the circumstances, after hearing what has been said, recommend the Committee to disallow it?—I would recall the attention of the Committee to the answer which I first gave when I was questioned on this subject: I said that my action was ministerial, and that inasmuch as the Treasury had withdrawn their

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Chairman—continued.

sanction I had no option but to disallow it, under the provisions of the Exchequer and Audit Act. I have no opinion to express upon it, and it was not necessary for me to form an opinion. The Treasury have now explained that they had an object (which has been attained) in withholding their sanction, that they are not prepared to enforce that expression of withdrawal of sanction any further; and, that being the case, I would suggest to the Committee (if they ask me for an opinion) that they might very properly admit this expenditure on the account.

Mr. *Alpheus Morton.*

532. Does not that do away with the good effect of your disallowance, or your criticism of the account?—No. I think I can explain to the honourable Member what I consider to be the main advantage of my function, that is, publicity. Having regard to the fact that I bring the point to the knowledge of Parliament in the Report on the Appropriation Accounts laid before Parliament and this Committee, who go into all these questions and come to a decision upon them, I think it is not necessary to pursue the point further. It must resolve itself into a purely technical question of disallowing it in one year's account and readmitting it upon another year's account.

533. Supposing you happened to have a very weak Committee here, what becomes of your authority for the protection of the public expenditure?—All I can say is, that in my experience of over 20 years before this Committee, I have always found it strong enough to maintain the necessary control over the public expenditure. I have no such experience as the honourable Member suggests.

534. You have certain duties committed to you by Act of Parliament on the part of the nation to protect the taxpayer, have you not?—To ascertain the correctness of the expenditure.

535. Shall we not be damaging your authority if we simply pass these things over without taking notice of them?—I do not think it necessary to ask you to support me in this particular case.

536. Will not that damage your authority?—The Chairman asked me what my opinion was; I have given that opinion, and I do not think the Committees acting upon that opinion would damage my authority.

537. I want to preserve your authority?—I am extremely obliged to the honourable Member, but I do not require support in this instance.

Mr. *Hanbury.*

538. (To Mr. *Knox.*) I should like to get it distinctly from the representative of the War Office, that this was not done out of any opposition to the Treasury, but was a pure act of forgetfulness. Is it within your knowledge that

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Mr. *Hanbury*—continued.

this was an act of forgetfulness?—I cannot say whether it was act of forgetfulness or not. The Financial Secretary was aware of it, but it may have passed out of his mind, certainly. I do not know that I can say more than that.

Mr. *Alpheus Morton.*

539. He has given no explanation, has he?—No, I do not know that he has.

Mr. *Hanbury.*

540. It was not the present Financial Secretary, I believe, who was concerned?—No, it was the late Financial Secretary.

Mr. *Alpheus Morton.*

541. Then, as I take it now, it was the Minister who was to blame for not bringing this before Parliament in some way or other?—It was his business to do so. The idea was to accept the Treasury suggestion that it should be communicated to the House by word of mouth, but the opportunity did not present itself.

542. Then it is to him we must look for the explanation why he did not find that opportunity?—Yes; it was his omission.

Mr. *Mowbray.*

543. Could you tell us upon what day the Vote was taken?—No.

Mr. *Alpheus Morton.*

544. (To Mr. *Ryder.*) I gather you cannot tell us why it was omitted to be mentioned to the House?—The only explanation the Treasury has is given in the second paragraph of the War Office letter of the 9th February 1893 (No. 21), printed at page 73.

545. They say the Vote was taken under considerable pressure?—Yes.

Mr. *Arthur O'Connor.*

546. (To Mr. *Knox.*) The position was simply this: The War Office obtained Treasury authority for the expenditure of money on a new service, not represented to Parliament, and the War Office, being under condition, takes the money and spends it, and does not communicate the condition to Parliament at all; it does not matter whether it was a large sum or a small one?—All that goes to prove, is, that the alternative was an unwise condition. One condition was a certain one and a practical one, as Mr. Ryder says, and the other was an unwise one, and there was a slip, under circumstances of pressure.

Mr. *Alpheus Morton.*

547. What was the unwise condition?—That it should be mentioned by word of mouth to the Committee of Supply.

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Vote 10.—Ordnance Store Buildings, Weedon, &c.—*continued.*

Sir *John Hibbert.*

548. Would it not have been possible to place a Memorandum upon the table, so as to inform the Committee?—Yes; and a revise of the Vote, such as I have suggested, would have been a Memorandum to that effect.

Mr. *Arthur O'Connor.*

549. The War Office had always power to avoid the unwise alternative by adopting the more wise one, which it did not do; is not that so?—Yes.

PAYMENTS NOT MADE IN FINANCIAL YEAR.

Mr. *Alpheus Morton.*

550. In the last sub-paragraph but two of paragraph 19, in referring to these cases of payments not made in the financial year, the Comptroller and Auditor General says: "The other cases do not appear to have been brought under the notice of the Treasury." That is with regard to the purchase of land, when the money was not paid within the financial year?—We hold that these cases would be governed by the decision of the Treasury in the other cases, and, if these were disallowed, the others would be dealt with in the same way.

551. You did not feel it necessary to get the sanction of the Treasury in all the cases?—We hold it would be governed by their decision on this particular case.

552. Then I see there is a disallowance here of 1,427*l.* 4*s.* 4*d.*; what has happened to that?—We accept that disallowance, and it falls upon the subsequent year.

EXPENDITURE PROVIDED IN ESTIMATES EXCLUDED FROM ACCOUNT.

Mr. *Alpheus Morton.*

553. I observe at the end of paragraph 20 it says that a letter, dated the 21st of December 1893, was addressed to the War Office, but no reply had been received to that letter at the date of the Report?—A reply has been sent since.

554. (To Sir *C. L. Ryan.*) Have you got that reply since your Report was printed?—Yes, I have received a reply.

PAYMENTS TO OFFICE OF WOODS, &c.

Mr. *Hanbury.*

555. (To Mr. *Knox.*) Coming to paragraph 21, it would appear the War Office have lost sight of the distinction between certain War Office property and Crown lands; is not that so?—Yes, that is so.

556. Does

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Vote 10.—Payments to Office of Woods, &c.—*continued.*

Mr. *Hanbury*—continued.

556. Does that apply to any large extent of War Office property; I see they have discovered since, in one instance at any rate, that it was Crown land?—I cannot recall anything of a similar kind which has occurred since these transactions; but from time to time I must admit these cases have occurred, and I do not know that there is any such complete overhauling as would guard against such an occurrence in the future.

557. How came the record in this case to be discovered and not with regard to other property?—The Office of Works discovered that we had been selling property upon which they practically had a lien.

558. They knew what was theirs, and the War Office did not know which was its neighbours?—Yes. These cases go back for a considerable time (I forget the exact date); I suppose it was assumed in the Works Branch that the land was ours as we had been in possession of it, and had been practically acting as the owners and managers for a very long time; and it was lost sight of that it was really the property of the Office of Woods, which they had handed over to us for our user.

559. (To Sir *C. L. Ryan.*) I see that certain land belonging to the War Office was parted with to railway companies, not for cash, but in exchange for other properties belonging, I suppose, to the railway companies; what security is there that any transaction of that kind is brought before Parliament; because, of course, the War Office might make a bad bargain?—I do not think I can answer for its being brought before Parliament.

560. It is no part of your duty to bring it before Parliament?—No, not in the case of an exchange of lands.

561. Then it is a case similar to that which we were discussing the other day as regards the grant of certain tents and blankets at Zante?—My duties under the Act of Parliament are confined to cash.

562. They do not include anything representing money's worth?—It would not be my duty to consider whether a transaction involving an exchange of land was a right or a wrong one.

563. In fact this exchange might take place to a great extent without Parliament knowing about it?—Yes, so far as I am concerned.

564. Except through you we should not be likely to know anything about it, should we?—Perhaps not.

Sir *Arthur Hayter.*

565. If land is sold, the price of the land appears in the Appropriations in Aid in the Estimates, does it not?—Yes.

Mr. *Hanbury.*

566. In the case of an exchange, of course it does not figure in the Appropriations in Aid, and

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Vote 10.—Payments to Office of Woods, &c.—*continued.*

Mr. *Hanbury*—continued.

Parliament has no knowledge whatever of the transaction, except by accident, as I gather?—It is not part of my duty to follow it up.

Mr. *Arthur O'Connor.*

567. Suppose in the case of the sale or purchase of land, the consideration is paid partly in money and partly by exchange; are you not concerned at all with that portion of the consideration which completes the cash transaction?—I do not think that it would be part of my duty to ascertain that the land which was added to the cash was added at a proper value.

568. (To Mr. *Knox.*) You spoke of the Office of Woods having a lien upon this property at Portsmouth, and then afterwards you speak of them as being the owners; which is correct; who are the owners of the fee simple?—The Office of Woods, certainly.

569. Then they have more than a lien upon it?—Yes; I used the word in a general sense.

570. Under those circumstances how did you give a good conveyance?—That I cannot say.

Mr. *Alpheus Morton.*

571. With regard to the exchange of land, have the War Office power to exchange any land they have got for other property, without getting the sanction of Parliament or of the Treasury?—We refer to the Treasury with regard to these exchanges of land.

572. Can that be done without the sanction of Parliament at all?—Yes.

573. Then what protection have we got against any improper exchanges being made?—Nothing further than the action between the War Office and the Treasury.

574. I want to ask you a question with regard to page 42 on the Vote itself; there are three large sums appearing there, 25,000*l.* for Fortifications, 5,721*l.* for Ordnance Store Buildings, and 14,618*l.* for Barracks, not expended; why did you get the authority of Parliament to spend that money if you did not want to spend it?—We did want to spend it; we were very anxious for it.

575. Has it been spent since?—I should imagine that on all the items the expenditure which was contemplated has been completed out of the Votes of the subsequent year.

576. Why was not it spent within the year?—Because it could not be; building is a very uncertain operation.

577. Was it that you could not do the work?—We could not do the work, or, very often, could not obtain the land. A very frequent reason for postponement would be that though we are in treaty for the land, we cannot get possession of the land, and so the money lapses.

578. It does not lapse, does it; because you can take this 40,000*l.* as savings, and spend it

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Vote 10.—Payments to Office of Woods, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

upon other matters?—Yes; it is possible to do that.

579. You did that this year, did you not?—Yes; it happened to come very conveniently, and met a very heavy charge upon forage, I think.

580. Taking an excessive sum under these Sub-Heads which you did not want, enables you to spend money without coming to Parliament?—The honourable Member is assuming we did not want it; we did want it very much; we wanted a great deal more.

581. But you did not spend it?—No.

582. That being the fact, it enabled you to take the money and spend it upon other matters not mentioned in the Vote?—It very frequently covers expenditure upon matters for which insufficient provision has been made, owing to circumstances over which there is, practically, no control.

583. I am objecting to the system which enables you by asking for more money than you want to spend the savings on matters not mentioned in the Vote?—That system is sanctioned by Act of Parliament.

584. I think we were told it was not by Act of Parliament but by implication; is not that so?—No; the application of savings upon one Vote to meet deficiencies upon another is sanctioned by Act of Parliament.

585. By the Appropriation Act?—Yes.

586. I observe under Sub-Head T., "Barracks," a sum of 10,472*l.* was spent more than was voted; and the explanation given as to part of it was that it was due to "Additional works required for incidental services"; what were the incidental services?—They were scattered over the whole of the barracks belonging to the Government; but I think they were mainly arising from sanitary services and matters of that kind.

587. They could not take the money for anything else but building, could they?—Certainly not.

On Vote 11.

Military Educational Establishments: Pay and Miscellaneous Charges.

Sub-Head H.—Artillery College.

Mr. *Alpheus Morton.*

588. (To Mr. *Knox.*) Under Sub-Head H., on page 44, there is a deficit here of 770*l.* 6*s.* 7*d.*, that amount being spent more than was voted on the Artillery College; is there any explanation with regard to that?—Yes; it is explained on the opposite page: "Due partly to certain charges for the month of March 1892 having

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Vote 11.—Artillery College—*continued.*

Mr. *Alpheus Morton*—continued.

fallen into the account for April 1892." It did not come in course of payment in the previous year; it had to be paid in a subsequent year, and caused an excess.

589. It was not really an increased expenditure?—There was also some modification in the staff of the College to meet some instruction in electricity during the year.

Sub-Head L.—Appropriations in Aid.

Mr. *Alpheus Morton.*

590. I observe under Sub-Head L. there is a deficit in the Appropriation in Aid, which is explained as being due to a falling off in the contributions from cadets at the Royal Military College; what was the cause of that falling off?—There were not so many cadets there as was anticipated.

On Vote 12.

Miscellaneous Effective Services.

Rewards, &c., to Inventors.

Chairman.

591. (To Mr. *Knox.*) You notice what the Comptroller and Auditor General states at the end of paragraph 22 as to the inadequacy of the explanation that was given about a short expenditure upon one Sub-Head and an excess expenditure upon another Sub-Head, and in regard to five quarterly payments of salary being made in one year?—Yes.

592. Have you any further explanation to offer to the Committee upon that?—No. Perhaps it was straining the term "casual difference" to apply it in this case, except for the fact that it did arise from something which was purely casual. It so happened, in consequence of the way in which Easter fell, that five quarters came in course of payment during that financial year. I suppose the more proper detailed explanation would have been that the saving would have been much larger if five quarterly payments on account of salary had not been made within the year to these gentlemen.

593. Was there any particular explanation as to why the total of rewards to inventors was much less than the Estimate?—Nothing, except that the charges against that item are very uncertain. We do not know what claims will come up for payment during the year, and sometimes we want more money than we take, and sometimes we do not spend what we take.

594. You consider that that is a real instance of a casual difference?—Yes.

595. You

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Vote 12.—Rewards, &c. to Inventors—*continued.*

Mr. *Hanbury.*

595. You say this is a very uncertain Vote as to the amount asked for as regards rewards to inventors. There is never much uncertainty as regards Messrs. Brennan, is there; they come on every year?—Yes, during the time the Brennan torpedoes are manufactured.

596. What was the cause of the first agreement being terminated?—It was only for a limited time.

597. Then there is a new agreement now for three years?—Yes.

598. Is it the intention that these agreements shall go on indefinitely?—No; they come up for reconsideration when the period has expired, and it will depend upon the condition of the Brennan torpedo at that time.

599. Are we under any agreement whatever to give these large salaries to Mr. Brennan and his assistant for just as long as the Brennan torpedo is being manufactured?—No; the agreement is only for a limited time, and then it will come up for reconsideration. Supposing we require their services we shall have to make terms with them, of course.

Mr. *Alpheus Morton.*

600. What is the meaning of these five quarters being paid within one year?—It is stated in this paragraph that the 1st of April was the Saturday after Good Friday, and in consequence of that, the quarter's salary that would ordinarily have been paid on the 1st of April was paid on the 30th of March, the day before Good Friday.

601. It was merely due to the accidental circumstance of the date?—Yes.

Sub-Head Q.—Miscellaneous.

Mr. *Alpheus Morton.*

602. (To Mr. *Knox.*) On page 48, I observe that a sum of 617*l.* 19*s.* 8*d.*, under item Q. Miscellaneous, was spent, there being no provisions made in the Estimate for it; how was that?—It was a service necessarily incurred; and the Treasury was asked to sanction this extra expenditure, and they approved it.

603. Then you do not come to Parliament for this at all?—It is reported in this way; this is the way it comes to Parliament.

604. Parliament will not be asked to vote this money at all if we pass it to-day?—No.

605. I see the explanation given is, that it was to meet the expenses of certain inquiries; what was the nature of these inquiries?—The New Forest inquiry was a very exhaustive one, with regard to taking land there for rifle ranges; and there was a special Report made to the House of Commons about it.

606. Did we have any opportunity of discussing the matter in the House of Commons at all?—Yes; a formal inquiry was held, and a special Report made to the Government, and laid before the House of Commons.

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Vote 12.—Miscellaneous—*continued.*

Mr. *Alpheus Morton*—continued.

607. Do you not think this is a sort of item that Parliament ought have been asked to give a direct sanction to?—No; I think it was an expense necessarily arising out of the changing circumstances of the year; and the proper course was to apply to the Treasury to sanction it. I do not think Parliament would get through its business if it was specially asked to vote all these extra expenses.

608. Is this not a minor matter as to which Parliament ought to have an opportunity of discussing the principle, as well as the economical aspect of the Vote?—They had that opportunity upon the Report that was presented. It would have been possible for an honourable Member to have moved an amendment in Committee of Supply.

609. We did not have any opportunity of discussing anything, except upon the items appear-in the accounts; we do not discuss Reports made to the Government?—No; but they can be the subject of amendment on going into Committee of Supply.

610. Supposing we had not got the Report till after we had got the Speaker out of the Chair on the first Vote, we should have lost our opportunity, should we not?—No; there are a number of Votes upon which amendments may be presented according to the subject of the expenditure.

611. Supposing there is no subject of expenditure, but this extra 617*l.* has been spent upon this sort of matter, we cannot discuss it, can we?—I have no other suggestion to make.

612. (To Mr. *Ryder.*) Do you not think this item ought to have been brought before Parliament?—Such was not the opinion of the Treasury. The opinion of the Treasury was that this Miscellaneous Vote was properly charged with the expenses of these inquiries, as there was a surplus upon it.

613. Do you know of any opportunity we had of discussing the matter at all?—I am afraid I cannot say.

Sir *John Hibbert.*

614. (To Mr. *Knox.*) As regards this particular item a good many opportunities of discussing it were taken advantage of in Parliament, were they not?—Yes; it was a matter of common notoriety.

615. It was one of the most exciting questions of the day, was it not?—Yes.

Mr. *Webb.*

616. Regarding Portmarnock Rifle Range, were not the facts these, that the War Office desired to take the land, and an inquiry was held, and in accordance with the popular feeling in the district, it was determined not to take it?—Yes.

Army Appropriation Account.

On Vote 13.

War Office: Salaries and Miscellaneous Charges.

Sub-Head C.—Pay of Copyists, Boy Clerks, Type Writers, and Shorthand Writers, &c., employed at the War Office.

Mr. *Alpheus Morton.*

617. (To Mr. *Knox.*) I observe there is an extra charge of 1,107*l.* 11*s.* 7*d.*, which is explained as being "due to an under-estimate for this service generally, and also to the employment of copyists beyond the ordinary official hours, owing to pressure of work." What was the pressure of work that required the copyists to be kept after hours?—Very often the extra time is required in order to get to the end of the work that we have in hand; and then these men are kept and get pay for their extra hours. I cannot recall exactly what they were engaged upon.

618. Was there during that year any more pressure of work than was usual in other years?—I do not know that there was; I think, as it is stated in the explanation, the service was under-estimated.

619. Are these people paid by the hour?—Yes; the writers are paid by the hour.

On Vote 14.

Retired Pay, Half-Pay, and other Non-Effective Charges for Officers, &c.

Sub-Head F.—Retired Pay and Retired Full Pay of Regimental Officers.

Mr. *Alpheus Morton.*

620. (To Mr. *Knox.*) I observe that there is a deficit of 16,632*l.* 11*s.* which is explained as "under-estimated"; can you say why this Sub-Head was under-estimated to that large amount?—It is quite impossible to form a very accurate estimate of what is likely to be spent upon such an item as this. The new charges which come upon a Vote like this really depend so very greatly upon the volition of officers. An officer, for instance, sends in his application to retire, under certain circumstances which we cannot know of at the time of making the Estimate, and then, of course, on the other hand, the Vote is affected by casualties, the number of men who may die. The Vote being dependent upon such circumstances, it is, of course, extremely uncertain. There are also different methods under which a man may leave the service. A man may ask to retire, and receive a certain rate of retirement, or he may ask to retire and receive a gratuity in a lump sum: that is entirely at his volition. The honourable Member will see there is a saving upon the item that was taken for Gratuities to Officers in lieu of Pensions under Sub-Head H., which corresponds with this excess upon Sub-Head F., for Retired Pay and Full Pay.

Army Appropriation Account.

On Vote 15.

Pensions and other Non-Effective Charges for Warrant Officers, Non-Commissioned Officers, Men and Others.

Pension Frauds in New South Wales.

Chairman.

621. (To Mr. *Knox.*) You observe what is said at the end of paragraph 23, at the top of page 165, to the effect that steps have been taken to prevent the recurrence of grave pension frauds which have occurred in Australia; are you satisfied that those steps are practically sufficient, or that they have been prosecuted to the utmost?—They are a considerable precaution against fraud, but they are certainly not an absolute preventitive; I do not know that anything can be, but we do exercise very considerable precautions. For some time past we have had a system of constantly overhauling the Pension List in operation at home, and that same system has now been established in all the Colonies where the payment of pensions is undertaken for us by the Colonial Governments.

622. Have you confidence in the efficacy of the arrangements for certificates of the deaths of pensioners being furnished by the registrars of deaths?—Yes, we get them in a very large number of cases; of course we do not get them in every case; the Registrar does not always succeed in detecting all the pensioners who die; but we get a very large number of certificates, and we find that is a very considerable check upon these issues.

623. (To Sir *C. L. Ryan.*) Can the Comptroller and Auditor General say whether he is satisfied with the arrangements so far as he can judge?—Yes, so far as I can judge at present; but of course the matter will be watched in future. (Mr. *Knox.*) We overhaul a certain portion of the Pension Lists every year, by making the most detailed inquiries of all sorts of people as to the pensioners, all over the country.

624. How long has this system been in existence for the Colonies?—Only since these frauds were discovered in Australia.

625. How long ago was that?—Three years ago.

626. Then has it been in operation nearly three years?—Yes, I think so.

Mr. *Hanbury.*

627. In fact you have brought the system in the Colonies to be precisely similar to the system in existence in England?—Yes, as far as possible.

628. I see this paragraph says that "reliance will be placed mainly on periodical identification of the pensioners independently of the paying officer"; who are the pensioners periodically identified by in England?—To a very large extent by the police.

629. When

Army Appropriation Account.

Vote 15.—Pension Frauds in New South Wales —*continued.*

Mr. *Hanbury*—continued.

629. When the police do not do it, who does it?—If the police are unable to do it, we take other steps, and refer to influential people in the neighbourhood, clergymen very often; we write to them and ask them if they know anything about a man of such and such an age.

630. A clergyman may very often know that a man has come into his parish bearing the name of the man who ought to have the pension, but he has no evidence that he is the man. I gather you do not go further than that in cases where you cannot get information from the police?—We make all the inquiries that we can until we get a satisfactory answer, and we think we have identified the man; that is all we can do.

631. You get this identification through the help of the police and clergymen; do you take any other step?—No, we do not go any further than that.

632. There have been frauds within the last few years, certainly, and I have called attention to them; have there been any detections of frauds lately?—I do not think there have been any as regards the Army pensioners, except those that occurred in New South Wales.

Mr. *Arthur O'Connor.*

633. You never thought, did you, of utilising your recruiting parties for this purpose?—No; I do not think they are asked to do that.

Sir *Arthur Hayter.*

634. A very much larger number of pensioners are paid by the Patriotic Fund than could be paid by any colony, and they have a system of identification, have they not?—Yes, but it is very similar to our system of identification, I think.

635. And you consider it very great *lâches* on the part of the colonial officers that these frauds lasted for 16 years without being discovered?—Unless some such system as this was at work, it is no doubt very easy for the officer paying the pensioners to keep a man on the list.

636. However no Imperial officer was implicated at all, I believe?—No.

637. The colony accepted the responsibility and paid the money?—Yes.

On Vote 16.

Superannuation, Compensation, Compassionate Allowances and Gratuities.

Mr. *Alpheus Morton.*

638. (To Mr. *Knox.*) I see there is a sum of 903*l.* 0*s.* 8*d.* at the bottom of page 60, as to which the explanation is: "This sum is the total amount of the liabilities from which Army accountants and others have, with approval of the Lords Commissioners of Her Majesty's Treasury, been relieved during 1892–93"; is it usual to relieve them of all this payment?—It is done on consideration of the cases; we do not do this ourselves, but we refer the cases to the Treasury.

Army Appropriation Account.

Vote 16.—Superannuation, Compensation, &c. —*continued.*

Mr. *Alpheus Morton*—continued.

639. Do they go through all these cases?—There are various Treasury letters from time to time relative to these cases, and it depends upon the concurrence of the Treasury with us as to whether the person shall be relieved of the charge.

New Sub-Heads.

Sir *Arthur Hayter.*

640. (To Mr. *Knox.*) I should like to know why there are two new Sub-Heads created, because under Vote 12 there is a Sub-Head for "Medals" and a Sub-Head for "Compensation for Losses." I should have thought the "New Decoration for Volunteer Officers" and the "Repayment of Costs in the suit of Hibbert *v.* Silver" might have been included in Vote 12?—The Treasury thought it was advisable to charge this expenditure against the Volunteer Vote, and I think there were special reasons for it. The decoration was not obtained in the way we obtain ordinary medals for the Army (which is, through the Mint), but it was obtained by special contract from a jeweller; and the Treasury having decided that it should be dealt with in this way, it was charged against the Volunteer Vote. Ordinarily speaking, we simply recoup the Mint for the silver which it buys for us. That is the charge represented by the expenditure under the Sub-Head for "Medals."

Mr. *Alpheus Morton.*

641. Is that a cheaper way of doing it?—Yes; at least that is the way in which all medals which are purely of silver are dealt with.

642. Why was not the cheaper method adopted here?—The New Decoration is a different thing from a medal.

643. Is not it in the shape of a medal?—Not in the case of this New Decoration for Volunteer Officers.

Sir *Arthur Hayter.*

644. If the Decoration had not been obtained under a special arrangement with Messrs. Garrard, it would have been under the ordinary heading of "Medals," I understand?—If it had been an ordinary silver medal.

Mr. *Alpheus Morton.*

645. By putting it under a separate Sub-Head you have given us an opportunity of knowing exactly what it cost, whereas otherwise we should not know that?—Yes.

646. It has made the accounts clearer rather than otherwise?—Yes.

ARMY APPROPRIATION ACCOUNT.

EXPENDITURE REPAYABLE BY DOVER HARBOUR COMMISSIONERS.

Mr. *Arthur O'Connor.*

647. Have the Dover Harbour Commissioners been relieved of any liability in respect of this service?—No, they have not.

648. Do they admit it?—Yes; so I understand.

649. Have they paid anything?—No. We are pressing them for some payment now; they are, I believe, taking steps to obtain the necessary funds.

650. Where do they go to, to the Loan Commission?—I do not know.

651. They have not paid anything on account?—No.

652. Does this 12,906*l.* include interest?—It does not.

653. It is all principal?—Yes.

Mr. *Alpheus Morton.*

654. In the second part of this paragraph there is a note that the Comptroller and Auditor General objects to the course adopted; has the course been altered?—Yes; we have followed the recommendation of the Comptroller and Auditor General, though I am not prepared to admit that

ARMY APPROPRIATION ACCOUNT.

Vote 16.—Expenditure Repayable by Dover Harbour Commissioners—*continued.*

Mr. *Alpheus Morton*—continued.

when this money is recovered it should not be credited to the loan. It appears to me it must be so treated.

655. ((To Sir *C. L. Ryan.*) What have you to say to that?—I think I will wait till the money is recovered before I give any answer.

656. In the meantime you are satisfied with the alteration?—Yes; I think a record of the liability is secured now.

EXPENDITURE, 1892–93.

Mr. *Alpheus Morton.*

657. I understand the amount to be surrendered will be altered?—The result of the figures appearing in this paragraph will depend upon the decision of the Committee when they come to report as to what they will admit and what they will not admit.

658. In the meantime we do not pass this paragraph, as I understand?—It is subject to revision.

STORE ACCOUNTS OF THE ARMY.

REGIMENTAL EQUIPMENT ACCOUNTS.

Chairman.

659. (To Mr. *Knox.*) You observe what the Comptroller and Auditor General says to the effect that he has been informed that the general question of a proportionate charge for losses of equipment, according to the unexpired period of wear, is under the consideration of the War Department; is that consideration concluded?—It is not, but it is in progress at the present time, and we hope to come to some satisfactory conclusion soon.

660. Then the result will not be known till the Committee sits next year?—No.

Sir *John Hibbert.*

661. Is it under the consideration of a Committee of the Department?—No; there is no Committee at present formed for this purpose, I think, but the Adjutant General has represented that he thinks the present system of charging the soldier is an unfair one to the soldier; and the various points which he has raised are under consideration.

662. Is the matter likely to be referred to a Departmental Committee?—No; it will be threshed out in the ordinary course.

Mr. *Hanbury.*

663. When you say it is unfair to the soldier, would you explain in precisely what manner it is unfair?—He is very often charged with the full value of the article, though the article may have been in existence for some considerable time.

664. Has that been the custom hitherto?—In many cases.

665. When you say "in many cases," I suppose there has been a definite rule on the subject?—Unless there is a special representation, the ordinary rule is to charge the soldier with the full value.

666. Take a belt, for instance, or any other article of equipment, how long would it be supposed to last?—I do not know what the period of wear is for a belt; there is no definite period of wear for all articles.

667. For an equipment which might be supposed to last two years, even if an article had worn eighteen months, the soldier would be charged the full price; is that the principle?—Yes.

668. Is that still going on, pending these new arrangements?—Yes; the old rules are being acted upon.

669. When

Store Accounts of the Army.

Regimental Equipment Accounts—*continued.*

Mr. *Hanbury*—continued.

669. When can you promise us a change in this respect?—The matter is under consideration now; I suppose in a month or two it will be settled.

670. How long has it been under consideration already?—Not very long.

671. It would appear to be a very difficult thing to settle, and it affects the soldier a good deal?—When you have to go into all these articles it may take a very considerable time.

Mr. *Bartley.*

672. Do I understand that you are really going to make a scale of how long an article is used, in order to make the soldier pay a proportionate share of it?—I cannot say what the final decision will be, but I should doubt very much whether that will be done. It appears to me that that would be impracticable.

673. Would not that a good deal encourage losing articles?—It might. In some cases where the reports are not satisfactory we shall have to charge the full value; but there are cases where it is thought better not to charge the full value.

Mr. *Arthur O'Connor.*

674. Do not the equipment regulations already provide for the value of many of these articles?—They do for some articles; not for all.

675. There is a note made of the issue of articles to the soldiers, is there not?—Some articles bear a mark as to the date when they are issued.

Return of Serviceable Equipment into Store.

Chairman.

676. (To Mr. *Knox.*) At the end of paragraph 5 you observe that the Comptroller and Auditor General says that a communication has been addressed to the War Department requesting information upon certain points, namely, whether a claim has been raised against the troops in a specified case of the description alluded to in the earlier part of the paragraph, and also whether any steps have been taken with the view of preventing the recurrence of premature returns into store of serviceable articles of equipment; and he states that to those communications no reply had been received at the date of his Report; have the War Department since replied?—I think a reply has been sent to both those points, subsequently to the issue of this Report.

677. (To Sir *C. L. Ryan.*) Are you satisfied with those replies?—I think, so far as I could express an opinion, the new system which it is proposed to adopt, if adopted at all stations, would obviate the possibility of troops being able to procure new stores in exchange for others prematurely surrendered. The War Department have investigated the subject for themselves, and have come to the conclusion that some new regu-

Store Accounts of the Army.

Return of Serviceable Equipment into Store—*continued.*

Chairman—continued.

lations are necessary; and, so far as I can form any opinion, I think they will probably meet the point.

Mr. *Mowbray.*

678. What you have told us meets the second point, but it does not meet the first point, namely, whether any claim has been raised against the troops in a specified case of the description alluded to?—The War Office themselves investigated those cases, and I think Mr. Knox would, perhaps, be better able to explain what is the action that they propose to take.

679. You have received an answer to your communication, I understand?—Yes, but that would be rather an administrative point than a matter of account.

Mr. *Alpheus Morton.*

680. Will those answers be presented to us?—Not unless the Committee wish them to be put in. They could be put in, of course. I may say that these particular documents, if they were put in, would give the Committee no information, because they merely refer to War Office papers, to which I have access, but which are not before the Committee. Therefore, if anything is to be put in, it should be put in by the War Office.

681. (To Mr. *Knox.*) Could we have any information presented to us with regard to these points?—With regard to the first point, after full consideration, the authorities did not think there was any case for making any disallowance against the troops, but they did not think that these stores had been returned somewhat inconsiderately, and a considerable portion were sent back again after they had been returned. A demand was made and complied with; and when these stores came in on return and were examined, it was found that the officer had made the demand somewhat inconsiderately, and accordingly he was made to return the new stores which had been issued and take back the old ones. Some of the stores required repair, but it was found that the repairs that were needed were, so far as could be ascertained, due to fair wear, and the necessary expense was incurred without making any charge against anybody.

682. The second point on which information was requested is, "whether any steps have been taken with the view of preventing the recurrence of premature returns into store of serviceable articles of equipment." Have you taken any steps since the Comptroller and Auditor General sent that request to you?—The steps taken are, that there is a continuous watch (as this Report shows) as to these stores when they are returned; and when it is found that they are returned in the way in which these were, the officer is come down upon, and told he has behaved improperly; and, as I said, the stores which he had returned were sent back to him. The officer, however, is in a position to make the demand, and it is only

Store Accounts of the Army.

Return of Serviceable Equipment into Store—*continued.*

Mr. *Alpheus Morton*—continued.

when the returned stores come in that it can be found that his action is inconsiderate; but there are rules in existence under which all these things when returned are examined and overhauled; what has happened is considered, and the necessary steps taken to deal with the case.

683. Will further precautions be taken so as to satisfy the Comptroller and Auditor General?—I do not know that the Comptroller and Auditor General can be, upon looking into this case, dissatisfied with what has happened. It is open to a commanding officer to make a demand for stores in order to preserve the efficiency of the troops in his charge, but if he does it inconsiderately he is come down upon. I do not know that you can have anything more than that.

684. It can be found out afterwards?—Certainly; it was found out by the Department, as I have said.

685. (To Sir *C. L. Ryan.*) Are you satisfied with the explanation?—Yes; I am satisfied with the explanation, and from what I have seen in the papers, and from the inquiries made.

Stores Issued on Repayment.

Mr. *Alpheus Morton.*

686. (To Mr. *Knox.*) You will observe what is said at the end of paragraph 6 as to the undesirability of the average price of different classes of stores disposed of in the aggregate being adopted as a basis for charging for stores of one description only; the Comptroller and Auditor General has apparently written to the War Department, and no reply had been received at the time he issued his Report; has a reply since been sent?—I think a reply has been sent now. These queries came somewhat late in the year, in December; that is the reason why they could not be answered before this Report was published. But we accept the criticism of the Comptroller and Auditor General in this case, and arrangements have been made to make a special charge for old linen stores that are disposed of in this way, as distinguished from old stores of a similar kind all heaped together.

687. (To Sir *C. L. Ryan.*) Are you satisfied with the reply that has been received?—Entirely.

Transfer of Stores to Admiralty.

Mr. *Alpheus Morton.*

688. It is stated on the top of page 185 that the Admiralty has obtained projectiles of a serviceable character for naval purposes at a proportionate value fixed for such stores as could not be deemed useful at the time of their transfer, and a letter has been addressed to the War Department by the Comptroller and Auditor

Store Accounts of the Army.

Transfer of Stores to Admiralty—*continued.*

Mr. *Alpheus Morton*—continued.

General with the suggestion that this matter should be submitted to the Treasury; have you taken action upon that suggestion. Our experience, I think, has proved that the arrangement that was come to some few years ago now is not a complete one, and not satisfactory to all parties. We have found it necessary to depart from it, and the Admiralty has found it necessary to depart from it, and we are now reconsidering the question, and will submit the arrangement, when it is thought out, to the Treasury for their approval.

Mr. *Hanbury.*

689. When you say the arrangement is being reconsidered, do you mean the arrangement as to the division of stores?—No, that is finally settled; I mean as to the price at which one Department shall hand over to another Department stores for which it has no longer any requirement.

Chairman.

690. You seem to hand them over at comparatively low prices?—Yes; we did not want these stores, and we handed them over to the Admiralty. The arrangement originally come to was that we were to charge one-tenth of the value under those circumstances, and similarly, if we received stores from the Admiralty, we would pay them one-tenth of the value. But, as I have said, both Departments have found it advisable to depart from that arrangement, and we are now seeking some other conditions upon which the transfers should be made.

Mr. *Bartley.*

691. It is entirely a matter of account, is it not; it does not affect the public service or the public exchequer?—No.

692. It is merely a theoretical matter, I presume?—Very much so.

Mr. *Hanbury.*

693. (To Sir *C. L. Ryan.*) If I understand the language of your Report correctly, you seem to assume that these stores could not be deemed useful at the time of their transfer; do you mean useful to the Admiralty or to the War Office?—Useful to the War Office.

Mr. *Arthur O'Connor.*

694. You take an account of the value of stores in the possession of the War Office now, do you not?—Yes.

695. When stores are struck off charge, by what amount would the valuation return be diminished; would it be reduced by the one-tenth, or by the ten-tenths standard?—By the one-tenth.

696. Supposing the Admiralty to take on stores serviceable to themselves, I suppose it puts on the value such as it would have to pay to the factories for new stores of a similar pattern,

STORE ACCOUNTS OF THE ARMY.

Transfer of Stores to Admiralty—*continued.*

Mr. *Arthur O'Connor*—continued.

pattern, which they are said in your Report to have ordered?—I assume they take them on at the prices they pay for them.

697. Or would it be at the prices at which they value them?—I could not answer that question with certainty at the moment.

698. It is a point of some importance, because if you discharge the War Office on the valuation standard of one-tenth, and credit the Admiralty Stores Valuation Account on a scale of ten-tenths, you are on the same article getting two totally different values and vitiating your accounts?—Yes. The officer from the Admiralty concerned with these matters is not present in the room, and it is a technical point upon which I should be afraid of giving an answer at the moment, for fear of misleading the honourable Member.

699. You cannot say why, when the Admiralty wanted some more stores of the same pattern, instead of going to the factories they did not apply to the War Office for some more of the same kind?—I should think they probably would apply to the War Office, if they thought the War Office had got them to sell. That is an administrative question which I cannot answer.

Mr. *Hanbury.*

700. Your criticism, so far as I gather, is, that the Admiralty seem to have got serviceable stores at one-tenth of the price, it being the idea that when they only paid one-tenth, the stores were such stores as could not be deemed useful, as I read it, not to the War Office, but to the Admiralty?—They were useless stores to the Department selling them, and they were brought at the price of useless stores, although they turned out afterwards to be capable of being utilised as good stores.

701. As stores for the Admiralty?—Yes; that turned out to be the fact.

702. But for War Office purposes they were obsolete?—Yes; but the Admiralty got them for one-tenth of the value.

703. Was not that the intention; surely the Admiralty were not supposed to be buying good-for-nothing rubbish?—I think you must put the question to the Admiralty, rather than to me.

Mr. *Alpheus Morton.*

704. (To Mr. *Knox.*) Can you tell me why they fixed this value at one-tenth?—That was the price which we thought it was well that we should give to these stores, which were obsolete and useless to us. That is really the rate at which we value in our Stock Valuation Accounts stores which are obsolete or unserviceable.

705. Were not they worth more than that outside?—They may or may not be; until we test that by actual sale we cannot tell.

706. Have you applied, as is suggested, to the Treasury to ascertain whether they approve of the course taken?—We are going to establish a

STORE ACCOUNTS OF THE ARMY.

Transfer of Stores to Admiralty—*continued.*

Mr. *Alpheus Morton*—continued.

modus vivendi between the two Departments if we can, and then submit that arrangement to the Treasury.

Mr. *Arthur O'Connor.*

707. Would a matter of this kind come before a joint authority or joint board of the War Office and the Admiralty with respect to stores; is there not some kind of joint board that looks after these matters?—They do not look after such details as this, but deal rather with the question of new patterns, and larger questions of that kind.

Mr. *Webb.*

708. What is the average amount of such sales in the year?—There is nothing like an average; it is only quite exceptionally that such a sale occurs.

709. It is not a regular thing?—No; it may occur, but by no means on an average; there is nothing like a constant transfer between the Departments.

STOCK-TAKING.

Mr. *Alpheus Morton.*

710. (To Sir *C. L. Ryan.*) Is the stock-taking at Woolwich; referred to in paragraph 8, under your control?—No; it is taken at Woolwich by the officers approved by the Treasury, as is stated in the paragraph.

711. Is it in any way under your control?—No, I do not take the stock at all.

712. It is only mentioned in your Report as a matter of information?—I state the fact that stock was taken.

713. (To Mr. *Knox.*) Do you get any report as to this stock from the officers who take it?—This Committee does not get any report; the War Office gets the report.

714. (To Sir *C. L. Ryan.*) How do you know that the stock is taken?—Because I asked the question from the War Office, and was so informed.

715. The officers approved by the Treasury have taken the stock, and the War Office have the information?—I believe so; I have no responsibility in the matter.

716. (To Mr. *Knox.*) Is it the case that the men who take the stock belong to the War Office?—Yes.

717. Then there can be, practically, no check upon the War Office?—They are not officials of the Department in whose charge the stock is; they are quite independent of it.

718. They are under you, I understand?—Yes, but I am the check upon all the other Departments of the War Office.

719. How can that be an independent stock-taking?—It is not independent of the War Office, but it is independent of the storekeepers who hold these charges.

Store Accounts of the Army.

Stock-taking—*continued.*

Mr. *Alpheus Morton*—continued.

720. Do you not think we ought to have an independent stock-taking?—No, I think it is quite sufficient.

721. Are we not led to think that this is an independent stock-taking by the statement that the officers are approved by the Treasury?—I do not know what those words were intended to signify specially.

722. (To Mr. *Ryder.*) Can you tell us how these officers are selected?—I think they are selected by the War Department. They are submitted by the War Department to the Treasury, and the Treasury approves.

723. If you really want an independent stock-taking, ought it not to be taken by a Department outside the War Department altogether?—The Treasury were satisfied that the different branches of the War Department were sufficiently independent of one another to ensure an independent stock-taking.

724. Would not the stock-taking be more independent if it were taken by officers appointed by the Comptroller and Auditor General, and under his control?—It is possible there might be even greater independence if the Comptroller and Auditor General took the stock himself; but the Treasury thought if that duty was imposed upon the Comptroller and Auditor General it would cause a considerable increase in his staff; and they thought under the circumstances it was not advisable.

725. Is this done under Act of Parliament, or is it merely a regulation of the Treasury?—I am not aware that it is done under Act of Parliament. I think it is under Treasury regulation.

726. It does not come within the duties of the Comptroller and Auditor General?—I think not.

Mr. *Hanbury.*

727. Of course you require an addition to the Treasury staff, do you not, to do this work?—The War Department find the *personnel.*

728. Somebody has to pay for it, I presume; it involves a charge upon the public purse, whoever it is done by?—Certainly.

Mr. *Alpheus Morton.*

729. Where does the charge appear?—I believe that the people who do this work are people who do other work as well; they occasionally take stock.

Mr. *Arthur O'Connor.*

730. Does not the application to the Treasury by the War Department for approval really mean an application for Treasury approval to a certain allowance to those engaged upon this special duty for the time being?—The Treasury has to sanction any rate of remuneration that is given.

731. That is what the Treasury really sanctions; the names submitted to them are the names of persons as to whose qualifications the Treasury does not inquire?—I think the Treasury exercises a certain degree of judgment as to the people employed. For instance, I think the Treasury would certainly object if the stock-taking was to be taken by people who were in any way connected with the ordinary custody of the stores; they must be people independent of the custodians of the stores.

732. Are there certain gentlemen who very often do this work of stock-taking at different places?—Yes; I believe, for instance, pensioners have been sometimes employed, and perhaps are so still.

733. Are there not gentlemen connected with the establishment at the War Office who are sometimes told off to do this work?—Probably.

734. With a certain allowance?—I believe so.

735. It is the amount of the allowance that the Treasury really sanctions, is it not?—I think that is so; the sanction takes the form of sanctioning the payment of a certain allowance to such-and-such people.

736. You hold that the stock-taking officers are so independent of the Secretary of State, and of all the Departments under the Secretary of State, that they can be trusted to make a perfectly independent report, whatever strange things they may discover in the matter of remain, for instance?—I should not say they are quite independent of the Secretary of State, but they are quite independent of the people immediately concerned with the custody of the stores.

737. But this is a check on the stores kept under the Secretary of State?—Yes.

738. Do not you think it would be a not unreasonable thing to have, at all events, a test stock-taking of certain departments of stores by someone whom the Comptroller and Auditor General might approve?—There would be a great deal to be said for that course, but the Treasury feared the increase of expense if it were adopted.

Mr. *Alpheus Morton.*

739. How would it cost more?—I think the idea was that an addition would have to be made to the Department of the Comptroller and Auditor General.

Mr. *Arthur O'Connor.*

740. (To Sir *C. L. Ryan.*) Do you think you would require to ask, for any gentleman whose services you could dispose of, more by way of allowance for this work than the War Office officials now receive for similar work?—I do not in the least know what the War Office officials do receive; it has been no part of my duty to inquire into the way the work is done.

741. (To Mr. *Ryder.*) I suppose there is no reason, *primâ facie*, why the same amount of extra allowance to officers of the Department of the Comptroller and Auditor General should not secure services just as good and efficient, and probably more independent, than the services secured by the same sums given to War Office officials?

STORE ACCOUNTS OF THE ARMY.

Stock-taking—*continued.*

Mr. *Arthur O'Connor*—continued.

officials?—That would be true if the test stock-taking by the Audit Office superseded the stock-taking by the War Department; but I am not sure that would be the case. The War Department would owe a duty to itself, and would have to take stock to check its own officers just as much as before.

742. The War Office must, no doubt, check its subordinates for its own purposes; but supposing there is something wrong in the Saddlery Department, for instance, at Woolwich, it may not suit the War Department officials to divulge what they discover. I can imagine that if I were the Secretary of State I would rather keep a thing of that kind quiet within my Department if I could; but the Comptroller and Auditor General would have no hesitation in making it known, or no such anxiety to keep it quiet?—I believe one branch of the War Office would certainly not hesitate to make public any defects found on the part of another branch.

Mr. *Alpheus Morton.*

743. But I suppose you agree that, if this is really to be an efficient stock-taking, it ought to be taken by people outside the War Office altogether?—I do not think the Treasury is satisfied that that is so, as yet.

744. Have they considered that point?—It has been considered.

745. Do they have the names of the parties who take stock before them, at all?—I am not sure that the names are given.

746. (To Mr. *Knox.*) Do you know whether that is so?—The names are not given to the Treasury.

747. How often is this stock-taking done?—It goes on continuously, as we like to take the stock.

748. Is it once a year?—No; it is going on continuously all the year round. A balance is struck of a particular article, according to the ledger, and someone from my branch goes down to see that the stock is in existence.

749. If this stock-taking were done by an officer under the Comptroller and Auditor General it would be more independent than if it were done by anybody in the War Office, would it not?—One cannot deny the fact that it would be independent of the Secretary of State, certainly; but I have to see that the Accounts are properly adjusted upon these reports, and the Comptroller and Auditor General has all the papers before him, and can see all the adjustments that take place on the stock-taking; they are all subject to his examination and criticism.

750. (To Sir *C. L. Ryan.*) Do you ever test the stock-taking of the War Office?—Not by stock-taking. (Mr. *Knox.*) But the Comptroller and Auditor General sees how the stock-taking is dealt with.

751. He sees the result of the stock-taking whenever he chooses to ask for it?—Yes.

STORE ACCOUNTS OF THE ARMY.

Stock-taking—*continued.*

Mr. *Alpheus Morton*—continued.

752. (To Sir *C. L. Ryan.*) You do not consider, as I understand, that it would be your duty to undertake anything in the nature of stock-taking?—It is a duty which I am distinctly debarred from by the Treasury Minute which appointed an Auditor of Stores.

753. The Treasury could put it under you, could they not?—Yes, if the Treasury were to give me the duty and the necessary staff to do it.

754. You agree, do you not, that such a stock-taking would be more independent?—As a matter of general principle, yes, but I have no reason to question the *bona fides* of the War Office at all.

755. I am not suggesting that; but if you are to have an efficient check it ought to be done by outside people, ought it not?—You must bear in mind what Mr. Ryder says, that it would probably involve additional expenditure, because my officers would not work for the War Office.

Mr. *Hanbury.*

756. What does it cost under the present system?—I cannot say.

757. Is there nobody who could tell us that?—I could ascertain it.

758. (To Mr. *Knox.*) Could you tell us what it costs?—The men employed at Woolwich upon the stock-taking referred to here cost about 1,000*l.* a year. The first part of this paragraph refers to the stock valuation of reserve stores at Woolwich.

759. (To Sir *C. L. Ryan.*) Would it require any legislation to enable you to take stock in this way, or could it be done simply by Treasury Minute?—I do not think any legislation would be required if the Treasury approved it.

Mr. *Alpheus Morton.*

760. (To Mr. *Knox.*) Could you put in a statement subsequently as to what this stock-taking costs, if you cannot give the information now?—The regular stock-taking takes place at Woolwich, where the stores are received and issued. There is no continuous stock-taking at any other station; it would take place at other stations on transfer of charge, or every three years. The regular stock-taking I have alluded to is at Woolwich, and that is a continuous stock-taking, as I described just now; it costs, roughly, about 1,000*l.* a year, including the pay and allowances to everybody employed.

761. Are these officers continuously employed at this work?—Yes.

Sir *Arthur Hayter.*

762. Do they require to be military officers to examine these stores?—No, not to take the stock; they do not inspect the stores; they simply count them to see that they are there.

STORE ACCOUNTS OF THE ARMY.

Stock-taking—*continued.*

Sir *John Hibbert.*

763. How many officers are employed?—At Woolwich, three.

Mr. *Alpheus Morton.*

764. They deal with a very large amount of stock altogether, I presume?—Yes.

765. Large in value as well as in quantity?—Yes.

Mr. *Webb.*

766. Are they permanently resident there?—Yes, they live in the neighbourhood of Woolwich.

Mr. *Hanbury.*

767. I presume the Admiralty have men who take stock of their stores, separate from the War Office?—Yes, the Admiralty stores are quite separate from ours.

STORE ACCOUNTS OF THE ARMY.

Stock-taking—*continued.*

Mr. *Alpheus Morton.*

768. There is a stock-taking at Pimlico also referred to in this paragraph; that is not done by the same men, I presume?—No, that is done by the officers at Pimlico.

769. Is that included in the 1,000*l.* you mentioned?—No; it is more difficult to define the cost there, because those officers have other duties.

770. What are their other duties; are they in the Director of Clothing's Department?—No, they are under me; they are quite independent of the Director of Clothing.

771. But they are mixed up from day to day with that Department?—Yes.

MILITARY FORCES LOCALIZATION.

ACCOUNT, 1892–93.

Mr. *Alpheus Morton.*

772. (To Mr. *Knox.*) What is the meaning of the excess of expenditure over estimate of 691,614*l.* 15*s.* 1*d.*, which occurs on this Account?—In accordance with the Act power was taken to vary the amounts spent under the various heads stated in the Act, and those heads are stated at the foot of page 2; and to cover the variations it will be necessary to lay a Report before the Treasury, and get their sanction for that departure from the original figures.

773. You do not need to come to Parliament for this excess of expenditure over estimate?—No, but this Account is laid every year regularly before Parliament, showing how the expenditure is in progress.

Sir *Arthur Hayter.*

774. Is this Account practically closed?—Yes, there is only a small sum still left to be spent; I think it is 20,000*l.*

Mr. *Alpheus Morton.*

775. It is done under a Loan, as I understand?—Yes.

776. You have got the authorisation of Parliament for the total Loan, I understand?—Yes.

777. This is only spending more in a particular year than you expected to?—No; it is only spending more on one of the Sub-Heads of expenditure detailed at the foot of page 2.

778. Not more in the total?—No.

BARRACKS ACT, 1890.

ACCOUNT, 1892-93.

EXPENDITURE PROVIDED IN ARMY ESTIMATES CHARGED TO BARRACKS RECONSTRUCTION FUND.

Chairman.

779. (To Mr. *Knox.*) I observe in paragraph 5, in regard to the sum of 139*l.* 15*s.* 7*d.*, the Comptroller and Auditor General thinks it must be excluded from this Account, and added to the Army Vote 10, on the ground that the classification must follow the Estimate; he goes on to say that a letter has been addressed to the War Office, which remained unanswered at the time

Chairman—continued.

of the Report; perhaps you have answered it since?—Yes.

780. (To Sir *C. L. Ryan.*) Are you satisfied with the answer?—I think I am satisfied now, upon what has taken place before on the Army Account, that the expenditure may remain upon the Barracks Loan.

781. Have

Barracks Act, 1890.

Expenditure provided in Army Estimates, &c. —*continued.*

Mr. *Alpheus Morton.*

781. Have you got an answer to the letter you addressed to the War Office?—I have.

782. Is there anything in that answer that would give us any information?—Practically, the letter says that the Treasury were not informed, by inadvertence, of the proposed change, and that this would be a concentration of expenditure on one service, namely, the Barracks Loan, instead of the Vote. Practically, the Committee have had the whole question before them upon the Army Votes.

783. We did not see the letter before?—No, the letter is subsequent to the date of this Report.

IMPERIAL DEFENCE ACT, 1888.—PORTS AND COALING STATIONS.

Aden Defences Account; Apparent Overcharge to the Loan.

Chairman.

784. (To Mr. *Knox.*) At the end of paragraph 4 the Comptroller and Auditor General states that, pending the receipt of satisfactory explanations as to points raised upon an apparent overcharge to the Loan on the Aden Defences Account, he is unable to report the sum of 566*l.* as properly chargeable to the Account of that Loan for 1892–93; have you given him explanations to enable him to allow it?—Yes; we have corresponded with the Comptroller and Auditor General, and we accept this disallowance to form a portion of that which has been already discussed on the Appropriation Account as regards Aden Defences. We are in agreement, I believe, as to the position in which this stands.

Chairman—continued.

785. You think this case is governed by that?—Yes.

786. (To Sir *C. L. Ryan.*) Are you satisfied?—Yes; the disallowances are retained.

Sir *Arthur Hayter.*

787. This Loan will certainly be concluded in the present year, will it not?—We have every expectation that it will in 1894–95.

788. You have spent more in each year than you have got remaining now?—Yes; but still it very often happens there are difficulties in concluding the expenditure within the year; however, we hope to be able to do so.

ARMY (ORDNANCE FACTORIES) APPROPRIATION ACCOUNT, 1892–93.

Sub-Head E.—Buildings.—Part I.

Chairman.

789. (To Mr. *Knox.*) I should like to ask, with regard to the point raised by the Comptroller and Auditor General in paragraph 1, why the course recommended by the Treasury has not been followed, to the effect that page 4 of these Estimates should be re-issued?—It was not done because the Vote had already been taken. We did not think it would serve any purpose to present any statement of this kind after the Vote had been taken, though we accept the proposal of the Treasury generally, that whenever any variation is made before a Vote is taken some re-statement of the Vote should be circulated.

Chairman—continued.

Sir *John Hibbert.*

790. Had the Vote been taken before the Treasury letter was received?—Yes, it had.

Sub-Head F.—Miscellaneous.

Mr. *Alpheus Morton.*

791. I observe it is stated in paragraph 2 that a sum of 6*l.* 16*s.* 6*d.*, on account of Inhabited House Duty, has not been returned, as I understand, by the officer occupying a house at Waltham Abbey?—That is so, and the question has now been raised as to the liability of these officers, under an alteration of the condition on which they hold their appointments, and we are now in correspondence with the Inland Revenue upon the subject.

11 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

ARMY (ORDNANCE FACTORIES).

Miscellaneous—*continued.*

Mr. *Alpheus Morton*—continued.

792. Do you propose to alter the regulation in future?—We propose to ascertain what the view of the Inland Revenue is as regards the liability of these officers to the tax under the circumstances.

793. Ought not the officer to pay the Inhabited House Duty just the same as myself or anybody else?—It depends upon the tenure of the house he is occupying; that is the general rule under the Act.

Sir *John Hibbert.*

794. Have they disputed their liability in this case?—Certain officers have disputed their liability at some of these stations, and the Inland Revenue have given way with regard to them, and we are now corresponding with a view to a settlement generally.

Mr. *Alpheus Morton.*

795. Why should there be any difference between an officer of the War Office and any other citizen?—The law says that when a man occupies a house from which he is liable to be disturbed at any time his liability shall not be the same as that of an ordinary tenant.

796. It is on the ground that you may remove the officer at any moment?—Quite so.

797. Somebody ought to make the allowance?—They are exempt under the law.

798. In the case of weekly tenements, in the case of private persons, they have to pay the same whether they have one tenant or fifty; but you say these people are exempt?—Yes.

Sir *John Hibbert.*

799. Is not the law governed by different Acts of Parliament in the two cases?—Yes, I suppose it is; but we are ascertaining from the Inland Revenue what the law is.

Mr. *Alpheus Morton.*

800. I suppose the officer considers that it has been taken into account in his salary, and that he ought not to pay the House Duty?—An officer who holds a fixed appointment for a fixed term is liable, but a regimental officer, whose tenure is uncertain, and who is liable to be moved about, is not liable to pay the duty.

801. If he was moving about, as the duty is collected, once a year, he might be overcharged?—Yes.

ACCOUNT, 1892–93.

Mr. *Arthur O'Connor.*

802. (To Mr. *Ryder.*) With regard to the point raised in paragraph 3 as to Expenditure and Grant, this Committee, in a Report some years ago, said that "the spending power of a Department is strictly limited to the total of the Exchequer Grants and Estimated Receipts, and

ARMY (ORDNANCE FACTORIES).

Account, 1892–93—*continued.*

Mr. *Arthur O'Connor*—continued.

a Vote must in every case be taken for any additional expenditure." In this case the expenditure seems to have exceeded the total of the Exchequer Grants and Estimated Receipts by a sum of 101,000*l.*, the total grant being only 100*l.* But the Comptroller and Auditor General says, and I suppose we must agree with him, that the formal authority of Parliament ought to have been obtained for the expenditure of the 101,000*l.*; what do you propose to do with regard to this?—An Excess Vote was presented to Parliament for 1892–93, so that irregularity has now been covered.

CAPITAL ACCOUNT.

EXPENDITURE FOR MACHINERY.

Chairman.

803. (To Mr. *Knox.*) You observe what the Comptroller and Auditor General says at the end of paragraph 4, to the effect that there has been an excess of "13,587*l.* 15*s.* over the anticipated expenditure upon the machinery submitted to Parliament, for which neither Parliamentary nor Treasury sanction has as yet apparently been obtained." Have you now obtained Treasury sanction?—This has not been specially submitted to the Treasury for sanction, but I may explain that it was really due to a misunderstanding as to how the statement should be made as to the machinery that was to be manufactured in the Factories. A note was appended to the Estimates stating that a certain amount of wages and materials would be devoted to the manufacture of machinery in the Factory. That is strictly correct, but it does not represent the full charge, inasmuch as the machinery, as made in the Factory, necessarily has to bear its share of the indirect charges of the Factory, and that practically accounts for the difference which is here shown.

804. (To Sir *C. L. Ryan.*) On the whole are you satisfied?—I think the Treasury ought to express their opinion as to whether they are satisfied with it. If they are satisfied I should be.

805. (To Mr. *Ryder.*) Will you tell us whether the Treasury are satisfied?—I think the Treasury would agree with the Comptroller and Auditor General that their sanction is required for this excess. Their sanction will, I believe, in future, be obtained for such excesses.

806. (To Mr. *Knox.*) In that case will you apply in future for Treasury sanction?—Certainly. We have now introduced into the Estimates for this year a detailed statement of what will be wanted as capital expenditure for both works and machinery, and any variations from that will be from time to time submitted to the Treasury in the ordinary course.

807. With

11 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Knox, C.B. [*Continued.*

Army (Ordnance Factories).

Expenditure for Machinery—*continued.*

Mr. *Alpheus Morton.*

807. With regard to this particular deficit of 13,587*l.*, will you apply to the Treasury for their sanction?—The sanction of the Treasury has never been obtained for expenditure in detail upon machinery for these Factories, and it was not sought in this particular instance; but we are instituting a system, which the Treasury and the War Office have agreed upon, under which we shall always go for Treasury sanction.

808. Would you put this right by applying for Treasury sanction to this particular amount?—I do not know that the Treasury would think it necessary for us to write again. (Mr. *Ryder.*) I think the Treasury sanction has been implied by the Treasury approval of the presentation to Parliament of an Excess Vote based upon this Account; therefore my own impression is that it is not necessary for the War Office to write again.

809. (To Sir *C. L. Ryan.*) Did I not understand you to say that you would not be satisfied unless they did get the Treasury sanction?—Mr. Ryder now explains that he thinks Treasury sanction has been given by implication in agreeing to the Excess Vote, and that it is not necessary to give definite Treasury sanction. If that is so the Treasury give their sanction, and I am satisfied.

Army (Ordnance Factories).

Expenditure for Machinery—*continued.*

Mr. *Alpheus Morton*—continued.

Excess Votes, 1890–91 and 1891–92.

Mr. *Alpheus Morton.*

810. (To Mr. *Knox.*) What is the meaning of the statement at the bottom of paragraph 5 that there is a net deficit of 6,254*l.* 8*s.* 7*d.*, after setting surpluses against deficits in the five years during which the Account has been in existence?—It means that taking the balances generally upon the Accounts of these Factories for the five years (that is to say, taking surpluses in some cases and deficits in others), there is a net deficit of 6,254*l.* 8*s.* 7*d.*

811. Does that mean money for which you have not had the sanction of Parliament or of the Treasury?—No; in all these cases the necessary powers have been taken to obtain Excess Votes and Deficiency Votes whenever they arose.

812. (To Sir *C. L. Ryan.*) Then this, as I understand, is merely a statement of what has happened in the course of their business?—Yes.

ARMY APPROPRIATION ACCOUNT.

Indian Home Effective Charges.

Chairman.

813. (To Mr. *Ryder.*) May I ask whether you have brought the answer you promised at the last sitting of the Committee with regard to the 7*l.* 10*s.* Capitation Allowance?—Yes. Perhaps I may read the answer which I wrote down after consultation with the chief of my Department. I am authorised by the Treasury to give the following information. Lord Northbrook's Commission, in their last Report, dated 22nd March 1892, recommended a yearly capitation rate of 7*l.* 10*s.* (exclusive of deferred pay) on the numbers borne on the British Establishments in India, as a fair charge for the years 1890–91 and 1891–92. This rate has since been accepted both for those years and for the two succeeding years, 1892–93 and

Chairman—continued.

1893–94, and seems likely to serve as a possible *modus vivendi.* The Treasury and War Office think that the Home Government is entitled to a larger sum; but, as far as we know, India would not admit the claim. The Treasury, therefore, reserving to itself and to the War Office their liberty of action, proposes to continue the *modus vivendi* for the present.

Mr. *Buchanan.*

814. There is no intention, as I understand, upon the part of the Treasury to appoint any Joint Committee on the question?—No.

[The Witnesses withdrew.

Wednesday, 18*th April* 1894.

MEMBERS PRESENT:

Mr. Buchanan.	Mr. Mowbray.
Mr. Hanbury.	Mr. Arthur O'Connor.
Sir Arthur Hayter.	Sir Richard Temple.
Mr. Alpheus Morton.	Mr. Webb.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

NAVY APPROPRIATION ACCOUNT, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Sir GERALD FITZGERALD, K.C.M.G., called in; and Examined.

EXCESSES ON VOTES.

Chairman.

815. (To Sir *Gerald FitzGerald.*) YOU will observe that the Comptroller and Auditor General's remarks at pages 151 to 153 of his Report are of a general character applicable to all the Votes. You will notice at the top of page 152 it is stated that the Treasury have postponed their sanction to the temporary application of surpluses to meet deficits until the outcome of the Naval Defence transactions in 1892–93 is declared; have you anything to say to the Committee upon that point?—Nothing.

816. You refer it to the Treasury?—Yes; the Treasury, on the passing of the Naval Defence Account and the Expense Accounts by the Committee will give their sanction to the deficits being met by surpluses on the whole of the transactions for 1892–93.

817. You do not know when that will be?—No.

818. (To Mr. *Ryder.*) Can you tell the Committee when the outcome of the Naval Defence transactions will be declared, so as to enable the Treasury to give their sanction to the temporary application of surpluses to meet deficits?—The outcome has been declared in the Account of 1892–93 presented to Parliament, and reported upon by the Comptroller and Auditor General. As soon as that Account has been considered by the Committee, the Treasury will write their final letter sanctioning an application of the surpluses to meet deficits on the ordinary Navy Votes.

819. Are the Treasury waiting for the Report of this Committee?—They are awaiting the Report of this Committee.

820. That may not be issued till late in the Session?—It probably will not be till a month or so hence. We have usually postponed this covering sanction upon the Navy Appropriation Account until about Midsummer, and sometimes even later. We have done this ever since 1889–90.

Chairman—continued.

Mr. *Hanbury.*

821. I do not understand why the Treasury waits until it has been before this Committee?—Because the Naval Defence Act and the Navy Appropriation Account are so closely intertwined together that you cannot be certain of the results of the one until you know the results of the other. Therefore we wait till we can take them both together.

Mr. *Alpheus Morton.*

822. (To Sir *C. L. Ryan.*) That being so, ought we not to consider the Naval Defence transactions before we take the Vote at all; could you offer any advice to the Committee upon that point?—I do not see any reason why the Committee should not consider the Navy Appropriation Accounts first, and at the next meeting consider the Naval Defence Account. You must take the one or the other first. The Navy Appropriation Account comes first in point of time and in point of delivery, and everything else.

823. How can we express an opinion as to the use of these surpluses until we have had the Naval Defence Accounts before us?—There will be no difficulty with regard to the appropriation of the Votes as Parliament has intended, and as shown in the Account. The Naval Defence Account only affects certain Votes as shown in the Appropriation Accounts.

824. As

NAVY APPROPRIATION ACCOUNT.

Excesses on Votes—*continued.*

Mr. *Alpheus Morton*—continued.

824. As I understand, the point raised here refers to the use of surpluses to meet deficits?—Yes, but that is within the four corners of the Appropriation Account, not the Naval Defence Account, as such.

825. At the end of the paragraph it is stated that the Lords of the Treasury do not desire to express an opinion upon the use of these surpluses till they have got the other matter before them?—I think what the Lords of the Treasury meant by deferring their sanction was this, that until one knows what savings or otherwise are available from the Naval Defence Account one cannot state whether there is really a surplus or a deficit upon the Navy Appropriation Account. If the honourable Member will turn to the last paragraph of the Report he will see that by the action of the Naval Defence Account the deficit is turned into a surplus; but I do not think that need interfere with the consideration of the earlier paragraphs of the Report and of the Appropriation Account first.

826. I understand you yourself complain as to these surpluses on the Votes?—That is a question that stands by itself, and is not complicated with the Naval Defence Account.

Mr. *Arthur O'Connor.*

827. I suppose you regard the whole of the Naval Service as one complete Service, but with two Accounts in respect of it: namely, the Defence Loan and the Appropriation Account?—Yes; they are to a certain extent separate by Act of Parliament.

828. But yet they are so closely connected that you cannot report with regard to the whole of the Service until you have dealt with both?—One cannot report upon the financial effect, because the savings upon the Naval Defence Account are applicable to supplement Votes in some cases.

829. If you will look at the bottom of page 116 you will see this note by the Treasury: "Out of this net surplus" of 101,300*l.* (which is the surplus on the Appropriation Account) "it is expected that 76,000*l.*, being the anticipated saving on New Construction, Naval Defence Act, will be required for payment to Naval Defence Account." That shows that there is an intimate connection between the two?—Yes.

830. The Treasury go on to observe that, "Under the powers given to them by Section 4 of the Appropriation Act, 1892, my Lords authorise the temporary defrayment of the foregoing excesses out of the surpluses accordingly." The only question I have to ask about it is what is the meaning of the words "temporary defrayment;" is not this a final Account?—It is a temporary defrayment so far as Parliamentary authority is concerned, because it requires to be subsequently sanctioned by the Resolution embodied in the Appropriation Act.

NAVY APPROPRIATION ACCOUNT.

Excesses on Votes—*continued.*

Mr. *Alpheus Morton.*

831. Not by a Supplementary Vote?—No.

SURPLUSES ON VOTES.

CONTINUOUS SURPLUS ON VOTES 8, SECTION III., AND 10.

Chairman.

832. (To Sir *Gerald FitzGerald.*) I have to draw your attention to three passages in paragraph 6 of the Report. You will note that, after setting forth the several surpluses over six years, the Comptroller and Auditor General goes on to say that, "if a margin of saving potentially applicable to meet deficits elsewhere becomes normal, an inclination to less careful observance of the lines of expenditure set out in the Estimates, and covered by the Appropriation Act each year, may be engendered, and departmental economy be impaired." Then he proceeds, towards the bottom of the page, to allude to a Treasury letter in which they refer to the importance of the attention of Parliament being drawn to over-estimates "that prove to be habitual through a series of years, and, therefore, present the appearance at least of being deliberate." In regard to that I ask your attention to the Treasury letter which is printed on page 163, in which the Lords of the Treasury say that "constancy of over-estimate is the striking feature," and suggest "that these Votes may be regarded as pools to be drawn on in aid of other Votes as occasion arises." Upon these surpluses and upon these three passages which I have read to you, I should be glad if you would state to the Committee what explanation you desire to give?—Taking the last passage first, I do not presume for a moment that either the Treasury or the Comptroller and Auditor General meant that the Admiralty deliberately increased the Estimate under one Vote in order to provide for deficiencies upon some other Votes. The Admiralty disclaims any intention of making over-estimates with a view to meeting deficits on other Votes. As regards the surpluses upon Vote 8, Section III., and Vote 10, "Works," I think the Committee would like me to read a letter which has been addressed to the Comptroller and Auditor General within the last few days in which the Admiralty enters very fully and clearly into this matter. That letter says, "The Estimates for each Vote, Vote 8, Section III., and Vote 10, for example, have to be framed 15 months before the expiration of the year to which they relate." As regards Vote 8, Section III., Shipbuilding, Contract Work, the letter continues: "In framing this estimate of expenditure it is necessary to provide for the amount which the contractors may reasonably be expected to earn during the next financial year on contracts which may be current,

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Chairman—continued.

or which it is proposed to place. But my Lords have little or no power to control expenditure when contracts have been entered into. And during the last five years, for the greater part of which shipbuilding in the private trade has been prosperous, and the yards fully employed, contractors themselves have not been able to make accurate forecasts of the amount of work that could be done for the Government within each year. This inability to look far a-head has been aggravated in many instances, by labour disputes and by difficulties which contractors have experienced in obtaining the anticipated supplies of materials." Upon Vote 10, Works, Buildings, &c., it adds: "The savings on this Vote are due to the fact that among a great number of items, delay in some of the works always proves to be unavoidable, owing to difficulties in completing leases for land, delay on the part of contractors and occasional bad weather. The lateness of the date at which the House of Commons has, in most years, passed this Vote, has also necessitated disappointment as to the amount of work which could be accomplished on some of the undertakings newly proposed, the valuable months between 1st May and 30th September having been frequently lost. Moreover, after the Vote has been approved in Parliament, further time is required, especially in the case of Foreign Stations, for forwarding instructions, completing or investigating plans, taking out quantities, making contracts, and sending out materials. It may be worth while to point out that, notwithstanding the delays due to these causes, the amount by which the actual expenditure on the Works Vote has fallen below the estimate has not exceeded an average of 5 per cent. The reply forwarded to you by the Lords Commissioners of Her Majesty's Treasury on the 27th January 1894" (the paragraphs of which have been cited), "has very fairly directed attention to the fact that the strict rules of the Treasury Minute of 24th November 1870, regarding excesses on the provision for individual Works in Part I., and of items in Parts II. and III., operate in the direction of over-estimate. My Lords desire also to invite your concurrence in the justice of the following statement in the same Treasury letter (paragraph 8)." This is the extract from the Treasury letter referred to: "Putting aside the years 1890–91, when the surrender to the Exchequer was very small, and 1891–92, when, through a heavy falling short of Appropriations in Aid, there was a net deficit on Navy Votes, my Lords are disposed to think it may be held that the surpluses on the Works Votes were surrendered, not utilised."

Mr. *Arthur O'Connor.*

833. What was the date of that Treasury letter?—The 27th of January 1894; it is printed at page 162 of the Report before the Committee. Then the Admiralty letter continues:

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Mr. *Arthur O'Connor*—continued.

"My Lords admit that there has been an over-provision in the Votes in question in past years. Some of the causes of difference between estimate and performance have been referred to in the present letter. They were under consideration when the Estimates for 1893–94 were being framed, and an effort, which is believed to have been successful, was made to bring about a closer approximation between estimate and expenditure. Similar care has been taken in preparing the Estimates for 1894–95. The facts which have attracted the attention not only of the Admiralty but also of yourself, as the results of several years' experience, have led to the result that less sanguine Estimates have been formed, and embodied in the Vote, as to the amounts which contractors will be able to earn during 1894–95. From this letter you will see that my Lords are not disposed either to disregard the value of real Parliamentary control, or to aim at the provision of recurring surpluses on certain Votes. Their desire is to make an honest estimate of each Vote, and while avoiding undue risk of an excess on the aggregate of the Votes, to reduce, as far as possible, the probability of recurring excesses on particular Votes."

Chairman.

834. Upon that might I ask whether you can state the amounts surrendered to the Treasury by the Admiralty during this year upon the whole Account?—Yes.

835. I have seen such a statement; if you have it here can you read out the figures?—Yes. Under Vote 8, Section III., Contract Work, and under Vote 10, Works, taking the two combined, in 1887–88 there was a surplus of 180,000*l.*, of which we surrendered to the Exchequer 127,905*l.* In 1888–89 there was a surplus under those two heads, of 155,000*l.*, and we surrendered 193,159*l.* In 1889–90 the surplus was 508,000*l.*, of which 380,189*l.* was paid into the Bank of England, on account of the Naval Defence Act, and 11,242*l.* surrendered. In 1890–91 there was a surplus under the two heads of 83,000*l.*, 161,000*l.* was paid into the Naval Defence Fund in the Bank of England, and 64,859*l.* was surrendered. In 1891–92 there was a surplus under these two Votes of 225,000*l.* In that year, however, a sum of 860*l.* was paid to Naval Funds from the Bank of England, on account of Naval Defence, and an excess Vote was obtained for 62,000*l.* In 1892–93 there was a surplus of 281,000*l.*, and a sum of 277,624*l.* was paid to Naval Funds from the Bank of England out of the Naval Defence Account, and 191,876*l.* was surrendered to the Exchequer.

836. Do not these large surrenders to the Treasury go to show that, in fact, these surpluses have not been utilised largely to meet deficiencies in other Votes?—The surpluses surrendered to the Treasury were on all the Votes

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Chairman—continued.

Votes from 1 to 16, and it cannot be stated whether they were surpluses for contract shipbuilding or works; they were mixed up in the general total.

837. They do not prove it absolutely, but do not they go to show that the Admiralty does not always utilise these surpluses to meet deficiencies?—Yes. For administrative purposes we take the whole of Vote 8 as one, and where there are surpluses on Section 3, Contract Work, we, under certain circumstances, use those surpluses for the purchase, it may be, of Naval Stores, Section 2, or for Labour, Section 1.

838. Still, on the whole account, there is a large surrender, is there not?—Certainly.

839. Does not that indicate that these surpluses are not altogether applied to meet deficiencies?—Certainly.

840. Is not that a partial answer to the metaphor of the Treasury as to surpluses being used as a pool to meet deficiencies under other Votes?—I think so.

841. Then the outcome of your explanation is, firstly, that these surpluses are not always used in the way presumed; and, secondly, that in future, having regard to past experience the Admiralty will be a little more chary in framing the Estimates?—That is so.

Sir *Arthur Hayter.*

842. These surpluses are what are surrendered at the end of the year, after you have had Treasury sanction for changing money upon certain Votes?—Yes.

843. They are the final outcome?— Yes.

844. I do not quite understand the arrangement with regard to the Naval Defence Act. You say that in some years you pay over a sum to the Naval Defence Account, and some years you surrender money; what is the principle governing that?—It depends upon the work done in the dockyards under the Naval Defence Act. If we do less work than we estimated for, the balance is put into the Fund in the Bank of England for expenditure in subsequent years.

845. It is for work already done under the Naval Defence Act?—If we do less work than we provide for in the Estimate of the year on account of New Construction, instead of returning the money to the Treasury, we place it in the Bank of England, in order to meet expenditure in subsequent years.

Mr. *Buchanan.*

846. These surpluses which you read out just now as being surrendered are surpluses on the whole of the Votes, and not merely the surpluses indicated here by the Comptroller and Auditor General on these particular Votes, as I understand?—Quite so.

847. What you were stating to the Committee was not so much an answer to the Comptroller

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Mr. *Buchanan*—continued.

and Auditor General's complaint with respect to the mode of estimate in regard to these particular Votes, as a statement with regard to the general amount surrendered to the Treasury on the surpluses over the whole Votes?—That is so.

848. Have you anything further to state to us with regard to what is before the Committee in this correspondence, namely, the apparently constant practice, for a period of about six years, of an over-estimate upon these very important Votes; for it would appear, certainly with regard to Contract Shipbuilding, Sub-section 3 of Vote 8, there has been a constant practice on the part of the Admiralty of applying the surpluses upon that Vote, at any rate, in supplement of other Admiralty Services?—I have just read the answer which the Admiralty has given to the Comptroller and Auditor General on that point.

849. I did not gather from that that there was any distinct statement on the part of the Admiralty that they are taking any steps to in future bring these estimates upon these Votes more nearly in accordance with the past expenditure on them?—Perhaps I may again read the passage in the letter dealing with this question: "My Lords admit that there has been an over-provision in the Votes in question in past years. Some of the causes of difference between estimate and performance have been referred to in the present letter. They were under consideration when the Estimates for 1893–94 were being framed, and an effort, which is believed to have been successful, was made to bring about a closer approximation between estimate and expenditure. Similar care has been taken in preparing the Estimates for 1894-95. The facts which have attracted the attention not only of the Admiralty but also of yourself, as the results of several years' experience, have led to the result that less sanguine estimates have been formed, and embodied in the Vote, as to the amounts which contractors will be able to earn during 1894–95."

850. Can you tell us what the result has been with regard to 1893–94?—Not as yet.

851. This apparently has grown up almost into a system during the past six years; has the Admiralty taken no steps, till it was pointed out by the Comptroller and Auditor General this year, to come nearer to the estimates on these two Votes?—In framing the Estimates for contract work we have to bear in mind what the contractors themselves think likely to be the outcome of their work during the year. We have never over-estimated for the purpose of filling up voids in other Votes.

852. Had it never come under your independent attention that there was, over this series of years, a constant over-estimate of these particular Votes?—During a series of years there have been constant disturbances in trade. In some years the shipbuilding was extremely prosperous,

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Mr. *Buchanan*—continued.

and it was found difficult to get the contractors to do the amount of work which they undertook for the Government. In other years there were strikes and labour difficulties, and other causes to prevent contractors from actually earning the amount of money which they stated, 12 or 15 months before, they would be likely to earn during the year.

853. Whether the years were prosperous or the reverse, there was an almost uniform over-estimate, was there not?—That was not the fault of the Admiralty.

854. Whose fault was it?—The fault of the contractors, or rather it was due to the circumstances I have already explained.

Mr. *Hanbury.*

855. So far as I understand, the complaint in this correspondence is as to the persistent or constant over-estimating for Vote 8, Section 3?—Yes.

856. You say that a portion of this surplus has gone into the Exchequer, but a large portion has gone to meet the deficits on other Votes, so that there is no great mischief done?—I said it went to meet certain deficits on Section 2 of that Vote specially. I did not refer to other Votes. I specially said Section 2 of Vote 8.

857. That involves also, does it not, constant under-estimating for Section 2?—No, although surpluses on Section 3 have been used on some occasions in buying stores for Section 2.

858. With Treasury sanction?—Naturally; the circumstances were in each case explained fully to the Treasury.

859. But as presented to Parliament in the Estimates there has been a constant under-estimating of Section 2 and over-estimating of Section 3, has there not?—No; I do not admit that there was an under-estimating of Section 2. It was found in the course of the year that stocks were diminished on account of work performed, and that it was necessary to replenish stores under Section 2, and this was done by the aid of money not earned under Section 3.

860. That comes to what I was saying, that it was under-estimated. If you transfer a surplus from Section 3 to a deficit under Section 2, surely there has been an under-estimate of Section 2?—The stores have proved to be below the requirements of Section 2, but it is not an under-estimate.

861. Perhaps "under-estimate" is a wrong term to apply to it; it has been below the requirements; you have given us an explanation of the over-estimating on Section 3. What is the explanation of the want of provision as to Section 2?—Sufficient provision, so far as could be foreseen, was made at the time for Section 2, but

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Mr. *Hanbury*—continued.

circumstances occurred which necessitated a further expenditure for purchase of Stores for New Construction, principally armour plates and such like stores.

862. That has happened every year, as I understand, and I want to know what is the reason of this provision being always inadequate, I will say, of the prevision being always wrong?—I can only state that the necessities of the service were fully explained to the Treasury on each occasion before they gave their sanction to the transfer from Section 3 to Section 2, and they decided that the Admiralty had sufficient reasons for these transfers.

863. You have said that the over-estimating on Section 3 (and no doubt you are right) was principally owing to the fault of the contractors, owing to their not being able to carry out the work, or something of that kind. I want to know on whose shoulders we are to lay the blame for the want of proper prevision as regards Section 2?—I cannot say; probably the Director of Stores might be able to answer the question. I am not aware of the details myself. But I should think, without troubling the Director of Stores, the general answer would be this, that during the course of the year it was found that large quantities of stores were necessary for New Construction; and they were purchased as was found convenient.

Mr. *Arthur O'Connor.*

864. You said, in answer to the Chairman, that the outcome of your evidence up to the point you reached was, that the surrender of balances to the Exchequer furnished an answer, at any rate, to some extent to the criticisms of the Comptroller and Auditor General on the ground that the surrender of a large balance showed that the surplus on this particular Vote 8, Section 3, was not obtained by the Admiralty with any view to using it to supplement of other Votes?—That is so.

865. In that connection I should like to ask you whether in the year under reference now there was not always a transfer in aid of some Vote or other of a portion of the surpluses on other Votes; there is an annual taking in aid surpluses to meet deficits, is there not?—These transfers are of very small amount.

866. Has it been done?—Yes; but except upon Vote 8 and Vote 10 the surpluses upon Votes are trifling. The other Votes are more or less automatic.

867. But each year there is an application of surpluses to meet deficits, is there not?—Yes; we explain to the Treasury the reason of the transfers.

868. I understand that, but each year there is an application of surpluses to meet deficits?—Yes.

869. That

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Mr. *Arthur O'Connor*—continued.

869. That seems to take place almost as a matter of course. But for that application of surpluses to meet deficits the total surrendered to the Exchequer would be greater, would it not?—Yes.

870. Therefore the fact that you have some money more than you want to meet deficits does not by any means show that any particular Vote which supplies a large service has not been largely over-estimated?—I can only repeat that we do not deliberately over-estimate any Vote.

871. That you have already said. I thought perhaps the outcome of your evidence up to the point you had reached at the moment I referred to might require to be qualified a little, because the amount to be surrendered would have been greater if it had not been for the application of a certain portion of surpluses to meet deficits elsewhere; is not that so?—That is so.

872. What I want to ask you is this: when do you send in your Estimates to the Treasury, making provision for the subsequent year?—We commence sending them early in January and up to March. It depends of course upon the meeting of Parliament.

873. (To Mr. *Ryder.*) Have not the Treasury seen year after year in the Estimates sent in by the Admiralty to them in January certain features which have been commented upon in this Committee, such as the over-estimate of the amount to be paid by India for ships in Indian waters and the recurring excesses on Vote 8, Section 3. I think those cases have been made the subject of a note by the Treasury itself in their report upon the Reports of this Committee; is not that so?—That is perfectly true.

874. When the Estimates come in from the Admiralty in the month of January do the Treasury make any detailed examination of them with regard to these points which have attracted attention in previous years?—The examination to which the Estimates are subjected by the Treasury cannot be called a detailed one. It is very cursory indeed. I should explain that the Estimates that come in early, and sometimes we receive one or two in January and a few more in February, are generally the simpler Estimates, Estimates of Non-effective Votes, and not Estimates of a contentious kind. The important Estimates that are of a contentious kind, such as Vote 8, and certain others, probably come in late, just before it is necessary to present the Estimates to Parliament and to circulate them.

875. Are not the Estimates submitted as a whole?—They are submitted in detachments to the Treasury, but they are discussed, I believe, as a whole by the Cabinet.

876. The Admiralty Estimates are sent in to the Treasury, are they not, by a certain date each year?—They are sent in detachments, Vote by Vote, at the request of the Treasury.

877. Take the case of this particular Vote. It is sent in at a certain date, I presume, whatever the date may be?—I cannot fairly say it is a certain date.

878. Before the 31st March, at any rate?—I should say so, because Parliament probably meets in February.

879. The Treasury has it before them before the Estimates are printed and presented to Parliament?—Sometimes not even that; sometimes I have known Vote 8 so late that the actual presentation of the Estimates to Parliament has been made, but they have not been circulated.

880. If the Treasury gets a copy of the Estimates in for examination before submission to Parliament, the Treasury is a party to the estimate?—Most certainly the Treasury is responsible for giving its covering sanction to the estimate.

881. It scarcely lies in the mouth of the Treasury, does it, to find fault with the Admiralty for the annual recurring surplus of a large amount on a particular Vote when they have, for year after year, been a party to that particular Vote as submitted to Parliament?—I think the honourable Member is referring to certain passages in the Treasury letter of the 27th January last.

882. I am not referring to any particular letter, but I want to deal with the system. I find the Treasury has been commenting upon the fact that there has been an annually recurring surplus upon the Vote, and I want to find out what responsibility rests upon the Treasury with regard to that particular Vote as to which they are blaming the Admiralty?—The responsibility is one which the Treasury does not shirk in the least; nevertheless it is one which does not prevent the Treasury from being within its rights in commenting upon these habitual over-estimates, and in supporting the Comptroller and Auditor General when he comments upon these over-estimates.

883. Would you allow me to ask you what did the Treasury say to this particular Estimate as regards Section 3 of Vote 8 when it was sent in to them in the year 1892; did they object to it as being probably inflated?—I cannot trust my memory as to what we said as to any particular Estimate in that year.

884. Although you had had the experience of previous years?—Now and then, according to my own experience, we have commented upon the total of the Estimate, and pointed out that past experience would warrant its being reduced; but I never knew any result follow from a remark of that kind, and the reason is very simple. The total of the Navy Estimates is practically settled in the Cabinet, and the Admiralty would probably decline to make any alteration in the total of the Estimates unless the Cabinet itself or the Chancellor of the Exchequer made an arrangement with the First Lord of the Admiralty that some alteration should be made; departmentally, the Treasury has scarcely any power in the matter. It may make a remark

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upon the large amount of a certain Estimate, and say that, looking at the past, something less would do, but that remark has no result at all. The probable reply of the Admiralty would be that it was too late to make any alteration, that the printers were striking off the Estimates, and that the remark would be considered next year.

885. And on the strength of the printers being then engaged on striking off the Estimates, the Treasury would allow itself to be a party to the presentation to Parliament of an Estimate which they themselves believed to be inflated?—They would be influenced, not merely by the fact that the printers were striking off the Estimates, but by the more important fact that the Cabinet had passed the total.

886. We are not concerned now with the total, but with the distribution of the total among the different Votes. We are dealing with a particular Estimate, which year after year has been apparently inflated with the knowledge of the Treasury?—Yes.

887. (To Sir *Gerald FitzGerald.*) The Treasury at any rate puts the blame upon the Admiralty, and Sir Gerald FitzGerald, as representing the Admiralty, seeks to throw the blame upon the contractors. Let us see whether the Admiralty have no control over the contractors. In previous years we have had a great many occasions upon which to comment upon the irregular distribution of payment to contractors from month to month. Some years ago there used to be very large payments in the last month of the year, and the Admiralty said the contractors were to blame for that; that they did not send in their bills, and for a number of other reasons like that there were very large payments in the month of March, and very small payments in the earlier months of the year. The Admiralty, however, under pressure from this Committee, I think, have hit upon devices by which there is a more equal distribution of money through the months of the year; is not that so?—That is so.

888. Therefore the Admiralty has a certain amount of control over the doings of the contractors if they like, have they not?—No; because these payments are not made until the work is measured and certified for by the officer in charge of the work at the Shipbuilding Yard. We make payments upon a certificate from the Controller's Department that the work has been performed according to the conditions of the contract.

889. But I suppose that the Admiralty are able to say to a contractor, "Be quick and finish the articles you have to finish and send in your bill quickly, because we want to pay you off within the financial year"?—That would not affect Section 3, because payments under that section depend upon the actual building-up of the ship.

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Mr. *Arthur O'Connor*—continued.

890. Whether it be services or delivery of material, I suppose the Admiralty can put pressure upon the contractor of whatever kind to get forward with his work?—In every year in which there was a surplus on Vote 8, Section 3, every effort was made by the Controller's Department to induce contractors to do more work, so that having the money we may pay them within the financial year.

891. I thought we should agree; that is quite what I thought; just as the Admiralty can put pressure upon a contractor and hurry up the work, so I presume it can allow a contractor to be dilatory if it suits the Admiralty?—I do not think contractors would be dilatory when they knew that by completing their work they would get payment. It might often happen that they have three-fourths of the work done for which the instalment is due, but they cannot get the other fourth ready in order to claim the instalment.

892. I thought you told us just now that it was almost the habitual practice of the Controller to keep sustained pressure upon the contractors to keep them up to the mark?—Yes.

893. I suppose he would not apply that pressure if it was not necessary?—He certainly would not.

894. The pressure being necessary to keep them upto the mark, if he with holds the pressure, are not the contractors likely to fall into arrear?—I do not think so.

895. Then why should he apply the pressure?—In order that they may complete the work they contracted to do during the financial year.

896. If it was desirable for Admiralty purposes to leave a certain surplus for a particular Vote, it would never, you think, occur to the Admiralty to withhold the pressure necessary to keep the contractors up to the mark?—I do not think that would enter the mind of the officers of the Controller's Department. Having the money available on the Vote, they would get as much work done as it was possible for the contractor to do. The contractors are at times prevented from carrying out their contracts by strikes or pressure of work for private trade, or something of that kind.

897. I do not doubt that the intentions of the Admiralty are admirable; I am only concerned with the system; and it seemed to me that the system was possibly open to the objection that, if the Admiralty desired to have a surplus on the contract work, they could, by withholding the pressure necessary to keep the contractors up to the mark, secure a certain amount of arrears, it would leave in their hands certain money that was not payable for contract work?—I do not think that would be to the interest of either the Admiralty

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Admiralty or the contractors. The Admiralty would like to spend the money, having it in the Estimates, and the contractor would like to get paid, if he was not prevented from completing the work by reasons beyond his control.

898. In spite of your annual experience, you find it is not possible to estimate this Vote within a margin of, say, from 5 to 10 per cent.?—I think that both last year and this year every endeavour has been made to bring the Estimate down as nearly as possible to the sum which we hope the contractors will earn during the year. More than that it is impossible for us to do.

899. The surpluses appear to be rather increasing than decreasing. Seven years ago the surplus was 144,000*l.*; in 1891-92 it was 186,000*l.*; in 1892-93 it was 235,000*l.*?—I think you will find that in each of those years there were disturbances in the labour market which caused the excess; strikes in different parts of the north prevented the work being done. That has been the cause of the surplus.

900. You said you had made less sanguine estimates in late years of what the contractors would do; do the figures carry out that statement?—Yes.

901. I should have thought it was rather the other way?—Without knowing what the promises of the contractors were, I think the honourable Member can hardly judge of that.

902. I am obliged to deal with what I have before me. I have first your statement that you have formed a less sanguine estimate, and therefore you anticipate a smaller margin; but the figures, which I have also before me, show the margin to be increasing?—It would be impossible to judge what has been done from these figures unless you knew what the contractors had promised to do themselves. The estimate is based upon the contracts in force or about to be issued, taking into account what the contractors think they will earn during the financial year.

903. Then I will leave that point. With regard to the unexpended balances, you said something about money for construction not expended in the particular financial year, being paid into the Bank of England and being available for next year; I do not know whether I quite understood you, but my impression was that the money unexpended had to be surrendered to the Exchequer?—If the amount which, according to the Naval Defence Act, should be spent on New Construction is not spent in the year, it is paid into the fund at the Bank of England for expenditure in subsequent years.

904. Your remark referred only to the Naval Defence Act, not to the Estimates?—Quite so, to Naval Defence Expenditure only.

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Mr. *Alpheus Morton.*

905. When you speak of surpluses and savings, I suppose you mean the same thing, really?—Yes.

906. Is not the effect of making savings this, that you can spend money on objects for which you have not got the consent of Parliament?—No. With Treasury sanction we can, however, use savings for other services which are considered of an urgent nature, and which it would be detrimental to the service to postpone.

907. Cannot you use them on matters which you have not brought before Parliament at all?—We consider that, in representing the case to the Treasury, and getting their consent, we have done what is necessary. The Treasury present to Parliament a statement showing the sums they have authorised the Admiralty to expend out of savings.

908. The Treasury gives their temporary consent to your using the money, as I understand?—Yes.

909. What is really the meaning of that temporary consent; when do they come to Parliament to get any sanction?—They present to Parliament a statement showing the sums they have authorised the Admiralty to expend, and then the Public Accounts Committee examine the account of actual expenditure, and submit their Report thereon to Parliament.

910. When does Parliament give its consent to this temporary sanction?—When the Public Accounts Committee have reported to the House of Commons.

911. How do they do it?—By considering the Report of the Public Accounts Committee.

912. I beg your pardon; Parliament never considers it?—The Committee's Report is made to Parliament.

913. It is never brought before the House of Commons, is it?—That is not a question I could answer.

914. I ask, in practice, do you know whether it is brought before the House of Commons?—The Report is submitted to Parliament, and the Comptroller and Auditor General may perhaps be able to tell you whether the subject has ever been referred to in Parliament; I believe it has on several occasions.

915. It has been referred to in speeches?—And also in the Resolutions of the House each Session.

916. (*To Sir C. L. Ryan.*) Is it the fact that you get the sanction of the House of Commons for the temporary use of these savings in the Appropriation Act of the following Session?—There is a Resolution passed by the House which is embodied in the Appropriation Act, which, perhaps, I might read. The 4th Section of the Appropriation Act says: "If a necessity arise for incurring expenditure not provided for in the sums appropriated to Naval and Military Services by this Act, and which it may be detri-

18 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

Navy Appropriation Account.

Surpluses on Votes—*continued.*

Mr. *Alpheus Morton*—continued.

mental to the public service to postpone until provision can be made for it by Parliament in the usual course, each of the Departments entrusted with the control over the said services shall forthwith make application in writing to the Commissioners of Her Majesty's Treasury for their authority to defray temporarily such expenditure out of any surpluses which may have been or which may be effected by the saving of expenditure upon Votes within the same Department, and in such application the Department shall represent to the Commissioners of the Treasury the circumstances which may render such additional expenditure necessary, and thereupon the said Commissioners may authorise the expenditure unprovided for as aforesaid to be temporarily defrayed out of any surpluses which may have been or which may be affected as aforesaid upon Votes within the same Department; and a statement showing all cases in which the Naval and Military Departments have obtained the sanction of the said Commissioners to any expenditure not provided for in the respective Votes aforesaid, accompanied by copies of the representations made to them by the said Departments, shall be laid before the House of Commons with the Appropriation Accounts of Navy and Army Services for the year in order that such proceedings may be submitted for the sanction of Parliament, and that provision may be made for the deficiencies upon the several Votes for the said services, and in such manner as Parliament may determine."

917. How do they get the sanction of Parliament?—The next section gives it: "Whereas the Commissioners of the Treasury, under the powers vested in them by the Appropriation Act, 1889, have authorised expenditure not provided for in the sums appropriated by the said Act to certain Votes for Naval and Military Services for the year ended on the 31st day of March 1891" (I happen to be reading from an old Act) "to be temporarily defrayed out of surpluses effected by the saving of expenditure on other Votes for Naval and Military Services for the said year." Then it recites: "It is enacted that the application of the said sums is hereby sanctioned."

918. The Vote we are taking now, if anything of this sort occurred, would be sanctioned last September, or whenever the Appropriation Bill was passed?—It will come into the Appropriation Act of this Session; the Act is retrospective in its action.

919. This is 1892–93 we are considering?—Yes; it will be taken in the Appropriation Act of this year.

920. Has it to wait a year before it can receive the sanction of Parliament?—You cannot ascertain the facts till the year after; there is the Resolution in Committee before it is embodied in the Appropriation Act.

Navy Appropriation Account.

Surpluses on Votes—*continued.*

Mr. *Buchanan.*

921. The Treasury Minute, which is printed at page 115, is the Minute under Section 4 of the Appropriation Act, which sanctions appropriations of this sort; is not that so?—I think I would rather the Treasury should explain the Treasury action in the matter.

Mr. *Arthur O'Connor.*

922. How do you reconcile your own words, at the top of page 152, "The Lords of the Treasury have postponed their sanction to the temporary application of surpluses to meet deficits until the outcome of the Naval Defence transactions in 1892–93 is declared," with the words at the bottom of page 116, which I referred to before: "Under the powers given to them by Section 4 of the Appropriation Act, 1892, my Lords authorise the temporary defrayment of the foregoing excesses out of the surpluses." It may be that I am mistaken, but it seems to me the two things can scarcely be reconciled?—The Treasury give the one consent before they give the other. They give their consent to the temporary application of surpluses to meet deficits first, and then they consider the outcome of the Appropriation Account and the Naval Defence Account afterwards.

923. I understood that, but the very same terms are used in both passages. On page 116 we are told, "My Lords authorise the temporary defrayment of the foregoing excesses out of the surpluses," and you tell us on page 152 that they "have postponed their sanction to the temporary application of surpluses to meet deficits"?—The Treasury, in their answer to the Admiralty letter of the 18th March 1893, printed on page 113, which gives a statement of the surpluses and deficits, give their temporary sanction to it; but they do not give their sanction as to the amount of the deficit, because they cannot ascertain the actual surplus or deficit till the Naval Defence Account is presented; and the Appropriation Account is presented before the Naval Defence Account is ready. It is really two different things that are referred to in the two passages; it is only the final outcome they have not given their sanction to, because they could not ascertain it at that time.

924. Your Report is dated January 1894; this letter of the Admiralty is March 1893; that is 10 months before, and then they gave their temporary sanction?—It is true they gave their sanction nearly a year before or several months before to the temporary application of the surplus; but they did not know, and they could not know then, what the final account of the Admiralty would be.

925. Then, I suppose, they give a general sanction, and you say they have not given their specific sanction to the details?—They could not give their specific sanction till later on. (Sir *Gerald FitzGerald.*) We are obliged to apply to the Treasury piecemeal for sanction for savings

to

NAVY APPROPRIATION ACCOUNT.

Surpluses on Votes—*continued.*

Mr. *Arthur O'Connor*—continued.

to be applied to meet excesses, but it is only on the examination of the Naval Defence Account and the other Accounts, that they give their final sanction for meeting deficits from savings. (Sir *C. L. Ryan.*) If the honourable Member will refer to the Treasury letter of the 30th of December 1893, at page 148, I think that throws some light upon it. They say there, "My Lords must defer their sanction to the application of surpluses on individual Votes to meet deficits on other Votes, until the Naval Defence Account has been passed." They only gave a temporary sanction.

Mr. *Alpheus Morton.*

926. With regard to this payment of savings into the Bank of England, is that only a temporary matter during the continuance of the Naval Defence Act?—Entirely; it is an interference with the normal law by the Naval Defence Act for a special purpose.

927. Does that apply to savings on every Vote from 1 to 15?—No, only to those that have reference to naval construction under the Naval Defence Act.

928. It applies only to Votes 8 and 10?—Not to Vote 10.

929. Only to Vote 8?—Yes, and Vote 9.

930. Then they spend this money that is lodged in the Bank of England on other Votes, as I understand?—No, only the Naval Defence Votes.

931. I observe Vote 9 referred to here?—That is armament under the Naval Defence Act.

932. This paying of savings into the Bank of England is only temporary, during the continuance of the Act?—It is entirely an interference with the ordinary law for a special purpose under the Naval Defence Act.

933. With regard to the Army and Civil Service no such thing happens, I presume?—No.

934. There the savings have to be surrendered?—Yes.

935. I observe at page 160 you bring out an actual surplus of 191,876*l.* 5*s.* 3*d.*, which you say may be affected by the examination of certain accounts; what will be done with that, supposing you find it eventually correct; is it surrendered, or does it go to the Bank of England?—That is in connection with the Naval Defence Account. The net amount of 191,000*l.* will be surrendered.

936. Then there will be no money left in the Bank of England for that year on that account?—The fund in the Bank of England, of course, is not for any particular year; it is for the whole completion of the work and services for Naval Defence.

937. This paying in of savings seems to be a

NAVY APPROPRIATION ACCOUNT.

Surpluses on Votes—*continued.*

Mr. *Alpheus Morton*—continued.

separate account, and is kept separately in the books of the Bank?—It is all kept separate. It practically ceases this year.

938. Do I understand that, if they make savings on Votes 1, 2, and 3, they cannot pay that into the Bank of England?—If it has no relation to the Naval Defence Act, the saving has to be surrendered to the Exchequer.

939. Does it not appear from this Account that they have treated these savings generally in this way?—I have not had before me the figures which Sir Gerald FitzGerald has read to-day, and I cannot answer for them.

940. If I find that savings from any other Vote not connected with armament, or that sort of thing, have been so treated, I understand those savings ought not to be paid into this Account?—They cannot be paid into the Naval Defence Account unless they have relation to the particular shipbuilding or armament provided for under the Act.

941. If they have taken the savings and excess expenditure generally, and dealt with it in that way, they would be wrong, would they not?—Nothing of that kind should happen; it is my business to see that that does not.

942. Does not it appear at page 160 that is exactly what has happened; they have dealt with the Account generally?—I think not; only with regard to the particular saving that comes over from the Naval Defence Account. It is almost impossible to explain the working of the Naval Defence Account in conjunction with the Naval Estimates, except to an expert; I confess I fail to be able to do it.

943. Do you know how long this Naval Defence Account is likely to last?—It is pretty nearly finished.

944. (To Sir *Gerald FitzGerald.*) With regard to these savings is it not the fact that if you make savings, as you appear to do on nearly every Vote, you can spend money on extra matters for which you have never asked the consent of Parliament at all?—We did not spend savings except with the consent of the Treasury.

945. It is Parliament that I am looking at, not the Treasury; is it not the fact that you can only ask the consent of the Treasury for spending the savings on matters of urgency?—That is so; and we do not ask them except in matters of urgency.

946. Do you consider doing up the Commander-in-Chief's house at Devonport in an extraordinary manner is a matter of urgency which you could not put off?—If such a work were carried out, it was probably not seen to be necessary until the Votes were submitted to Parliament.

947. Why should it not have been seen?—I think the honourable Member will recognise that a house may be found at the last moment to require better drainage or some urgent work to be done to it not foreseen 15 months before.

 948. Would

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Surpluses on Votes—*continued.*

Mr. *Alpheus Morton*—continued.

948. Would you consider the building of a wine cellar, or a matter of that sort, a matter that could not be foreseen at the proper time?—That I cannot answer.

949. Is it not the fact that in the year before the one we are dealing with a sum was spent in that way out of savings, in doing up the Commander-in-Chief's house?—I am not aware.

950. You do not deny that you can spend savings in that way?—I do not deny that urgent and necessary work, the necessity for which has occurred after the Estimates are presented to Parliament, may be submitted to the Treasury, and if no provision is made for it the Treasury may refuse to allow it; but if we have strong reasons for asking that the work may be done and show the urgency of it, the Treasury rarely objects to our doing it.

951. Do you not think that doing work of the nature I have described was a matter which you could lay before Parliament in the ordinary way?—If such work had been foreseen when the Estimates were being prepared, it would have been submitted to Parliament, but it was probably not found necessary until after the Estimates were prepared.

952. Do you not think that such a matter ought to be laid before Parliament for their sanction in the ordinary way?—If a work is not foreseen before the Estimates are prepared it cannot possibly be submitted to Parliament.

953. Taking houses and property of that sort belonging to the Admiralty, are they not regularly looked at every year to see what repairs are necessary?—Yes; but I do not think the honourable Member would expect that the Works Department, in dealing with such an enormous number of buildings, could foresee every expenditure that may occur in the year.

954. Are not the buildings regularly inspected?—Yes; but contingencies arise requiring works being immediately taken in hand.

955. Is there any other way of dealing with house property of that sort than by inspecting it in the regular way I have mentioned?—I cannot answer as to the details of the Works Estimate; I can only say if the work is foreseen to be necessary before the Estimates are prepared it is put into the Estimates. If the work is only found to be necessary after the Estimates are prepared and sanctioned, it must be done if of an urgent nature and shown to be so to the satisfaction of the Treasury, whether it is provided for by Parliament or not.

956. Do you not have your property regularly inspected year by year to see what repairs are wanted?—Yes; but nevertheless some repairs may be found necessary after the Estimates have been completed.

957. Such as the building of a wine cellar?—I cannot answer as to that particular work because I know nothing of it.

958. I want to know whether it is possible that money might be spent in what might almost be called favouritism, with regard to a particular house, and Parliament know nothing about it?—That I cannot answer; it is not a matter of account.

959. Money could be spent in that way if you had got the Treasury to consent, could it not?—If that particular work was done in that year the Treasury would have been satisfied as to the Admiralty reasons for deeming it an urgent matter.

960. Do not you think you ought to come for a Supplementary Vote in cases such as I have mentioned?—I do not.

961. You think it right to use these savings?—That is a question between the Treasury and Parliament; it is not a question that I can answer.

Appropriations in Aid.

Chairman.

962. (To Sir *Gerald FitzGerald.*) You will observe that the Comptroller and Auditor General adverts to a deficiency under Appropriations in Aid, arising by reason of the short payments from India on account of their share of the Naval Defence in Indian waters, to the amount of 67,000*l.* as regards ships, and 10,000*l.* as regards ports; the Comptroller and Auditor General goes on to say that this question has been long under discussion with the Admiralty and with the Treasury; that India never pays, and that therefore it would seem a matter for consideration whether facts should not be recognised, that is to say, the non-payment of these sums by India, and the Estimates of future years be based upon a figure more likely to be realised, so that this continued discrepancy in results may be removed; have you any explanation to make upon that point?—Yes; the grounds upon which the Admiralty provided for the full contribution of 117,000*l.* from India on account of Her Majesty's ships in Indian waters, are stated in Admiralty letter to the Treasury, dated the 5th March of this present year, and if I may be permitted, I will read an extract from that letter: "As regards the estimated receipt under this and other Votes from the Indian Government on account of Her Majesty's ships in Indian waters, my Lords have carefully considered the remarks made on this point in Treasury letter of the 24th November last, but are of opinion that the insertion in the Navy Estimates of any less sum than 117,000*l.* would strengthen the case of India against the Admiralty at the coming arbitration. My Lords would further remark that supposing a less sum than 117,000*l.*, but

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Appropriations in Aid—*continued.*

Chairman—continued.

but more than 50,000*l.*, be settled on, there will be a balance to receive for each year since the Conference at the Foreign Office, namely, the difference between 50,000*l.* paid on account and the sum awarded. It may, therefore, be fairly assumed that India will probably pay more than 50,000*l.*, indeed as much as 117,000*l.* or thereabouts." That would be from the date of the Conference at the Foreign Office, which was 26th March 1890.

Mr. *Arthur O'Connor.*

963. Has an arbitrator been appointed in the place of Lord Rosebery?—I cannot say; the Treasury will be able to answer that question.

Chairman.

964. Do I infer from your letter that there is to be a speedy settlement?—I think I must refer you to the Treasury on that point; it is entirely in the hands of the Treasury.

965. (To Mr. *Ryder.*) It appears that India, somehow or other, does not pay the amount towards her Naval Defence, which the Home Government think to be due from her, and the Treasury has not yet settled this question; meanwhile there is a constant trouble in the account; can you state to the Committee what steps the Treasury are taking, that is to say, whether you are going to settle finally what India is to pay, and when that is settled make her pay it?—Steps have been taken some time ago for the appointment of an arbitrator. An arbitrator actually was appointed, and he began his work; but circumstances occurred which made it necessary for him to give up the work. Since then there have been informal communications with another person, who, apparently, was ready to take the post of arbitrator; but nothing has actually been settled so far as I am aware. There has been no actual formal appointment of any successor as arbitrator. The great reason of the delay has been the impossibility, as yet, for the Treasury to settle with the India Office upon the terms of reference to the arbitrator. We are in hopes that before very long an agreement may be come to possibly before this Committee rises this Session.

966. Could you be so good as to communicate to the Treasury the fact that this matter is before the Committee of Public Accounts, and that the Committee would be glad to have some early decision of the Treasury upon the subject; or perhaps you could communicate the reply of the Treasury to the Committee at their next meeting?—This very morning I did communicate with the Secretary to the Treasury upon the subject, and was authorised to give the reply in the general terms I have just used.

967. But the Committee would like to have something more specific, to the effect that an arbitrator will be appointed, and that the thing will be settled?—I am not certain I can give any

NAVY APPROPRIATION ACCOUNT.

Appropriations in Aid—*continued.*

Chairman—continued.

specific answer by the time of the next meeting of the Committee, but I should hope before the end of this Session some definite reply will be given.

968. May I say by some early date?—I hope by an early date.

Sir *Arthur Hayter.*

969. Do you anticipate the matter will take very long to settle when the arbitrator is once appointed?—When once the terms of reference are agreed to I should hope the arbitrator will not find it very difficult to come to a decision; but much must depend upon what the terms of reference are. They may be very wide, so as to include a large number of subjects, or they may be narrow, and such as the arbitrator could easily dispose of.

Mr. *Buchanan.*

970. May I remind you that you are giving us the same answer, almost verbatim, as you gave us last year?—I am afraid that is so; there has been no progress at all since last year.

971. Can you give us any ground for hoping that next year we shall be any further forward?—I think there is a prospect of this question being nearer settlement now than it was a year ago.

Mr. *Hanbury.*

972. Can you tell us at all what is the difference as to the points of reference between these two Departments?—I think the Treasury wish to make the terms of reference wider than the India Office likes.

973. Wider in what sense; what do they want to bring in that the India Office does not want brought in?—I do not think I am authorised to give the particulars of the difference, but, speaking generally, that was the nature of the difference.

974. The first arbitrator was Lord Rosebery, was it not?—Yes.

975. He must have resigned some time ago; when did he resign?—When he took office.

976. That was in 1892, was it not?—Yes.

977. Nobody has done anything since, as I gather; at least there has been no arbitrator appointed since?—There have been many informal communications between the Departments.

978. But there has been no arbitrator appointed since?—Not formally appointed. There have been communications with a successor.

979. All this time has been taken up in communications between the two Departments as to the terms of reference; is that so?—That is so.

980. There has been nothing else done but fighting over the terms of reference, as I understand, ever since Lord Rosebery resigned; is that so?—I cannot say that anything in connection with this matter has been settled.

981. Had no terms of reference been agreed

Mr. *Hanbury*—continued.

upon before Lord Rosebery was appointed?—The India Office did not like the terms of reference that were communicated to Lord Rosebery by the Treasury.

982. But I understand Lord Rosebery had really begun work upon the subject under some terms of reference?—I believe he had; he certainly had read the Papers, more or less.

Mr. *Arthur O'Connor.*

983. Which is to be done first; to settle the terms of reference, or to appoint the arbitrator?—I do not know that it is very important which comes first; both must be done, both are equally necessary. I do not think there would be any difficulty about appointing an arbitrator. I believe an arbitrator has been agreed to by both Departments, the India Office and the Treasury, and also by the Admiralty.

984. Has he informally intimated his readiness to serve?—I believe so; but it would not be possible for him to take the work directly; he is too much engaged.

Mr. *Hanbury.*

985. This is a very limited subject, is it not; because, as I understand, it refers only to payments in respect of ships in Indian waters; does either party want to bring anything into the reference beyond that?—The subject is really a very large one; it is necessary to consider what ought to be the nature of the ships for which India ought to pay, and what are the duties which the ships are to perform.

Mr. *Alpheus Morton.*

986. (To Sir *C. L. Ryan.*) I see it is suggested that the estimate should be reduced; is not that so?—No; all I suggested was that it was undesirable to take a sum which it was known beforehand would be hardly likely to be received.

987. Then is it your opinion that this sort of thing will continue, and that there will be underestimates?—Yes, in this particular case, I think so.

988. As I understand, you suggest that the estimate should be reduced?—Unless there is some real prospect of a settlement which would enable a larger sum to be received.

989. That would enable you to square up the audit better?—Yes; of course, it would affect the question of surplus.

990. (To Mr. *Ryder.*) What do you say to that settlement?—The Treasury took that view exactly, and expressed it in their Minute of November last upon the Report of the Committee of last year.

991. That the Appropriation in Aid should be reduced?—That the estimate of receipts should be reduced.

992. (To Sir *Gerald FitzGerald.*) Do the Admiralty object to that?—Yes; I have just said

Navy Appropriation Account.

Appropriations in Aid—*continued.*

Mr. *Alpheus Morton*—continued.

what is the opinion of the Admiralty. They consider that the insertion in the Navy Estimates of any less sum than 117,000*l.* would strengthen the case of India against the Admiralty at the coming arbitration.

993. Then it is a lawyer's view you are taking at the present moment, namely, that you might damage yourself by inference?—Yes.

994. Then perhaps you do not disagree that the sum ought to be reduced?—We consider that our claim might suffer by reduction.

995. Is that for the sake of fighting the Indian Department?—It is not a question of fighting, but a question of arbitration.

996. You think that it would be an admission?—Quite so.

997. (To Mr. *Ryder.*) Are there any means of hurrying up this arbitration, so as to allow the Comptroller and Auditor General to complete his audit?—The Treasury hope some definite answer may be given to the Committee before very long; but I cannot mention any particular date.

998. Do you mean this Session?—We hope so.

Mr. *Arthur O'Connor.*

999. (To Sir *Gerald FitzGerald.*) With regard to these Appropriations, do you admit that you are making an estimate of the Appropriations in Aid in excess of what you are likely to get?—Yes, qualified by what I have already stated.

1000. You make a gross estimate of the expenditure; you deduct from that an amount which you do not believe you will get, and you have the balance voted. Are not you thereby providing yourselves with a sum which you know to be too small; or do you make allowance in your gross estimate of the amount which you think you will not get in Appropriations in Aid, and then deduct this?—We should, naturally, have to reduce our expenditure in order to provide for the falling off in Appropriations in Aid.

1001. I want to see how far the figures presented to Parliament represent reality and how far they represent fiction. You told us that your estimate of Appropriations in Aid is to a certain extent, at any rate, fictitious. Now, if you deduct a fictitious amount from a real gross estimate, your net amount which is voted, and which is all the money you get, must be, *primâ facie*, inadequate for your purposes, must it not?—That is so.

1002. Then you are taking estimates which you know to be too small by the amount which the contribution from India falls short?—That is so, assuming the arbitration is not concluded in the year.

1003. You do not increase your gross estimate in order to make allowance for the sum which you have to deduct?—Certainly not.

1004. Why, then, do you present to Parliament figures which are wrong?—Because we consider that

NAVY APPROPRIATION ACCOUNT.

Appropriations in Aid—*continued.*

Mr. *Arthur O'Connor*—continued.

that we might suffer a greater wrong by not doing so; that the India Office might say, you have only provided 50,000*l.* in your Estimates, therefore we shall pay you only 50,000*l.* But we consider that since 1890, when the conference took place at the Foreign Office, if we do not get the 117,000*l.* every year we may get 10,000*l.*, 20,000*l.*, 30,000*l.*, or 40,000*l.* in excess of our 50,000*l.*, and that those arrears will compensate, in the year in which they are paid, for any possible deficiency in the award.

1005. I quite understand that; and I think it is perfectly defensible. You are quite right in not doing anything which will amount to an admission against yourselves in favour of India while the arbitration is proceeding; therefore, so far as I can see, there is no objection to your putting 117,000*l.* in your Appropriations in Aid even though you may not expect, whatever you may hope, to get it. But unless you increase your gross estimates, from which this amount has to be deducted, you are representing to Parliament that you can do with a Vote of some 50,000*l.* less than what you really will want, are you not?—That is the case; but at the same time we anticipate in the year (all our Appropriations in Aid are only anticipations), in any one year in which we insert that amount, we may get, since 1890, some of the arrears which we consider due to us; and therefore it will fill up the void in that particular item.

1006. You under-estimate, you know, by 50,000*l.*, and you trust to luck to make it up somehow or other?—Yes, that is the case to some extent.

1007. But Parliament is not told that?—Parliament has it before them on the face of the Estimates.

1008. On the face of the estimate things look most precise?—We show in the body of the Estimates that we anticipate to receive 117,000*l.*, and this sum is deducted from certain gross Votes.

1009. You show that, but as a matter of fact you do not expect it at all, do you?—I beg pardon; we have expected it, assuming this arbitration would take place in the year for which we provided the full sum. We anticipated, at least, getting something beyond 50,000*l.*, not only for that year but for preceding years.

1010. Do you really anticipate, having regard to the present situation, that in this financial year you are likely to get from India at the end of an arbitration, the terms of reference of which are not settled, and the arbitrator of which is not yet appointed, a full payment from India of the amount decided upon?—Yes; we have been told every year that this question between the Treasury and the India Office as to the terms of reference would be settled. That being the case, we think our provision is a very proper one, and that we may fairly expect to get some portion if not

NAVY APPROPRIATION ACCOUNT.

Appropriations in Aid—*continued.*

Mr. *Arthur O'Connor*—continued.

all of the difference between 50,000*l.* and 117,000*l.*

1011. At any rate, for diplomatic reasons you think it would not be well to take a less sanguine estimate than you do in connection with India?—That is so.

Mr. *Alpheus Morton.*

1012. Then do I understand you to say that you have cause to complain of the Treasury in this matter, for slowness?—We blame no one.

1013. But you are waiting?—We are waiting.

1014. If you do not get the money from India, where will you get it from; you expect money from India which you may not get; and in that case the money must come from the British taxpayer, must it not?—It does to this extent, that we anticipate certain Appropriations in Aid which we may not get.

1015. But you have spent the money, have you not?—No, we have not.

1016. Do you mean to say you make a claim on India, not having spent the money?—Certainly not; that is out of the question.

1017. As I understand it, a claim is made against India, and all sorts of charges are made in various ways; but the India Office does not admit the whole of it at present?—They do not admit that they should pay the sum claimed.

1018. The money is expended then, is it?—It is expended on the maintenance of the ships.

1019. So that any money India does not find, Great Britain does?—Yes.

POSITION OF THE CONTRIBUTION DUE FROM THE AUSTRALIAN COLONIES.

Sir *Arthur Hayter.*

1020. (To Sir *Gerald FitzGerald.*) With regard to the remarks made in paragraph 8 of his Report by the Comptroller and Auditor General, will there be a permanent deficit between the cost of maintenance for ships in Australian waters and the amount which you can charge by statute?—Yes.

1021. That limit of 91,000*l.* will never cover the expense?—No, I think not.

1022. And therefore that means it must be made up by the English Government?—Yes.

Mr. *Mowbray.*

1023. I do not quite follow the figure of 37,220*l.* for Appropriations in Aid; apparently the Appropriations in Aid which have been realised are 45,338*l.*, instead of an estimate of 35,000*l.*, which is more than the estimate by 10,338*l.*, as I understand. In the second portion of paragraph 8 I see the 37,220*l.* is included in some of the other Votes. The sum of 37,000*l.*

18 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

NAVY APPROPRIATION ACCOUNT.

Position of the Contribution due from the Australian Colonies—*continued.*

Mr. *Mowbray*—continued.

odd is shown as received?—You are referring to the words "Further sums amounting to 117,882*l.* have been credited under other Votes, making a total of 163,220*l.*, which covers the current contribution of 126,000*l.* and the arrear of 37,220*l.*" That was an arrear payment which we received in that year.

Mr. *Alpheus Morton.*

1024. Then the money has been received?—The 37,000*l.* has been received.

1025. What is your explanation with regard to the two last portions of the paragraph: "Since the date of my last Report I have been furnished with a statement showing the actual cost during 1891–92 of the maintenance of the ships forming the Australian Squadron. It amounts to 124,473*l.*, and largely exceeds the statutory limit of 91,000*l.* annually recoverable for maintenance. The cost of 'maintenance' for 1892–93 has also been furnished to me, and amounts to 119,671*l.*" If the statutory limit is 91,000*l.*, how does it come about that you spend more?—Because under the Imperial Defence Act we have made an agreement with the Colonies that they shall only pay this sum of 91,000*l.* for maintenance.

1026. That is not an agreement in the shape of an Act of Parliament, is it?—Yes; it is the Imperial Defence Act of 1888. It says, "The Colonies shall, in addition, bear the actual charges for maintaining from year to year the three fast cruisers and one torpedo gunboat, which are to be kept in commission in time of peace, and also of the three other vessels which are to remain in reserve, including the liability on account of retired pay to officers, pensions to men, and the charge for relief of crews. Provided always, that the claim made by the Imperial Government under this head does not exceed the annual payment of 91,000*l.*"

1027. Then it is not that you must not spend more, but you must not claim more?—Yes.

Mr. *Arthur O'Connor.*

1028. Who made that agreement?—That was made at a Conference between the Colonial Officials who came over to England and the English Government.

1029. What power have the English Government to set aside an Act of Parliament?—The Act of Parliament was framed upon the conditions arrived at between the English Government and the Colonial Authorities.

1030. But surely the Imperial Defence Act requires the payment by Australia of 120,000*l.*?—Yes; but the honourable Member was referring to maintenance only. The other payment of 35,000*l.* is for interest upon the outlay on the ships.

NAVY APPROPRIATION ACCOUNT.

Position of the Contribution due from the Australian Colonies—*continued.*

Mr. *Alpheus Morton.*

1031. As I understand, you were reading the Act of Parliament?—Yes.

1032. And, as I understand you to state now, you may spend more, but you must not claim from the Australian Government more than 91,000*l.*?—That is so.

1033. (To Sir *C. L. Ryan.*) Is that your view of it?—Certainly; there is no restriction in the Act as to the amount to be spent.

1034. But you draw attention to the fact that they spent, in 1891–92, 134,000*l.* odd, and, in 1892–93, 119,000*l.* odd; and I gather from that that you think 91,000*l.* ought to be expended by them?—I merely state the facts.

1035. That it is costing us more than we are getting?—Yes.

1036. (To Sir *Gerald FitzGerald.*) Was it the intention of Parliament, do you know, that it should cost us more?—I think Parliament knew perfectly well the ships could not be maintained for a sum of 91,000*l.*

1037. Your idea, then, is that Parliament intended that we should be at some expense in the matter beyond what we got from the Colonies?—That is so.

1038. (To Sir *C. L. Ryan.*) Is that your view of it?—I have no facts by which I can gather the intention of Parliament.

Mr. *Hanbury.*

1039. (To Sir *Gerald FitzGerald.*) The words are, "the actual charges;" what is your view of that?—"The Colonies shall, in addition, bear the actual charges for maintaining from year to year;" but later on it says, "Provided always, that the claim made by the Imperial Government under this head does not exceed the annual payment of 91,000*l.*"

On VOTE 1.

WAGES OF OFFICERS, SEAMEN AND BOYS, COAST GUARD AND ROYAL MARINES.

Mr. *Alpheus Morton.*

1040. (To Sir *Gerald FitzGerald.*) I should like to ask whether the savings on this Vote are paid into the Bank to the credit of this fund?—No.

1041. What is done with them?—They are included in the general savings surrendered to the Exchequer.

1042. Can you show me where they are mixed up?—No, I cannot. The Comptroller and Auditor General in his Report shows how the surplus is arrived at, and the amount paid into the Exchequer.

1043. Can you show me where this surplus of 24,273*l.* 17*s.* 9*d.* is surrendered?—No, I cannot show you that, but it is brought into the net sum surrendered on the accounts of the year.

1044. I see

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Navy Appropriation Account.

Vote 1.—*continued.*

Sub-Head D.—Wages and Allowances.

Mr. *Alpheus Morton.*

1044. I see on these accounts on Sub-Head D. there is 3,000*l.* more than was voted; have you any explanation to make with regard to that?—Yes; this deficit is owing to the recruits raised having been enlisted earlier in the year than was anticipated, to increased expenditure for extra pay, and to a larger amount being provided for prizes for good shooting than estimated.

1045. That is an extra pay sanctioned by the Government after the estimate, is it?—No; it is a larger sum paid for extra pay to the men who have obtained good shooting prizes during the year.

1046. I am speaking about the first item, not as to prizes but as to extra pay; what is that extra pay for?—I cannot say for what particular service; it would be for torpedo and gunnery and such like work.

1047. If you are paying them better than formerly I want to give you credit for it?—We give them certain extra allowances for extra work which they perform.

1048. More than they used to get?—I think extra allowances are on the increase.

1049. I want to give you credit for it?—I am obliged to the honourable Member. I think whenever extra work is done by sailors they get extra pay for it.

Sub-Head I.—Field Allowances.

Mr. *Alpheus Morton.*

1050. There is a small amount of 92*l.* 0*s.* 4*d.*, of which the explanation given is, "Field allowances granted for service on shore in Solomon Islands and at Pahang;" what is the meaning of that?—Sailors were landed for the protection of Europeans or some other service, and while there they got field allowances to compensate them for the extra expenses they incur in wear and tear of clothing, &c.

1051. I daresay I am ignorant about the matter; do the Solomon Islands belong to us?—They are, I believe, under British protection.

1052. (To Sir *C. L. Ryan.*) Can you tell me what is done with this surplus; is that surrendered?—That surplus is part of the total surpluses taken into account in the statement at the end of the last paragraph.

1053. Then it will not have been surrendered?—Nothing has been surrendered yet.

1054. But it may be never surrendered, then?—I cannot answer that question at the present moment. As to this particular surplus, you take the balance of the account.

1055. But is it not all mixed up together with these sums lodged in the Bank of England?—Of course it is, because the savings in the Bank of England are brought into account.

1056. Then is it not possible that the savings

Navy Appropriation Account.

Vote 1.—Field Allowances—*continued.*

Mr. *Alpheus Morton*—continued.

on Vote 1 may have got into the Bank of England?—It is possible, of course, because if the Navy Vote has had to pay over the sum to the Naval Defence Account they would take it out of whatever surplus there was. The expenditure on Votes 1, 2, 3, 4, 5, 6, and 7 is not included in the Naval Defence Account, but if the Naval Defence Votes have to pay, the only other source would be to vote a sum for the purpose of handing it over, and that would be a surrender on the one hand, a Vote on the other.

1057. Notwithstanding what you said, that Votes 1, 2, 3, 4, 5, 6, and 7 ought not to be used, it is possible, is it not?—It is possible.

1058. I have made out, have I not, that it is possible?—It is possible during the working of the Naval Defence Act. It is a very complicated thing to explain, and I am happy to think that it is at an end.

1059. So am I, if there is a possibility of taking these savings illegally?—Nothing has been done illegally.

1060. But you said it is possible that the savings on Votes 1 to 7 might get into the Bank and be used?—It is possible in one sense.

On Vote 2.

Credit of Value of Cloth to Sub-Head M., Seamen's Clothing.

Chairman.

1061. (To Sir *Gerald FitzGerald.*) At the end of paragraph 9 there is mention made of a technicality arising upon the credits to debit Sub-Heads, in consequence of the clothing contractors having to take over material from the Government Stores, and some letter appears to have been addressed to you by the Comptroller and Auditor General to which he has not yet received a reply. Perhaps you have sent a reply?—Yes.

1062. Will you kindly tell us the substance of it?—We sent this reply to the Treasury on the 6th April: "I am commanded by my Lords Commissioners of the Admiralty to acquaint you, for the information of the Lords Commissioners of the Treasury, that it has been deemed advantageous to change the system under which made-up garments are supplied to boys under training at the home ports. Formerly the practice was that the materials were issued from the ship to the contractors, but retained on the accounts of the ship until the made-up articles had been supplied, when the materials equivalent thereto as ascertained by scale were taken off charge, the contractors being paid only for the cost of making up. Of late it has been arranged that the contractors shall draw all the necessary materials from the Victualling Yards (paying for the quantities so drawn at specified rates), and shall receive the full value of the made-up garments. By this system it will be seen that a double charge for

NAVY APPROPRIATION ACCOUNT.

Vote 2.—Credit of Value of Cloth to Sub-Head M., Seamen's Clothing—*continued.*

Chairman—continued.

the materials is made against the Vote (No. 2) concerned, first on receipt from the contractors who supply the materials, and again on the receipt of the made-up article; the Vote receiving a credit for the value of the materials when these are issued to the contractors for making up the garments. In order to avoid the necessity for a double provision in the Estimates under Sub-Head M. of the Vote, and an abnormal increase of the Appropriations in Aid (Sub-Head R.), it is considered preferable to credit the Sub-Head M. with the amounts paid by the contractors for the materials, and to charge it with the full value of the made-up articles when received. This arrangement operates to the advantage of the Service, because the issue of made-up garments varies considerably from year to year, and by crediting Sub-Head M. with the payments by the contractors any excess beyond estimate can be met without a depletion of stock. It is in view to extend this system of obtaining made-up garments to those required for the men of the Fleet serving at the home ports, and the adoption of this improved system in this case would very largely increase the difficulty of providing made-up garments if the credit were not given to the Sub-Head M. I am, therefore, to request that you will move their Lordships to concur in this arrangement." A copy of this letter has been sent to the Comptroller and Auditor General.

1063. Have you received a reply from the Treasury?—No.

1064. (To Mr. *Ryder.*) Will you kindly say if the Treasury is prepared to give the sanction which the Admiralty has asked for in the letter just read?—The Treasury reply has not been finally settled, but my impression is that the

NAVY APPROPRIATION ACCOUNT.

Vote 2.—Credit of Value of Cloth to Sub-Head M., Seamen's Clothing—*continued.*

Chairman—continued.

Treasury will sanction this new arrangement which has been made by the Admiralty, provided that it is carried out under definite regulations, and also that the gross amounts are shown in an inner column of the Appropriation Account.

1065. (To Sir *C. L. Ryan.*) Have you any remark to make upon this point, or do you consider this correspondence satisfactory?—The correspondence is incomplete, but if the Treasury think proper to give their sanction under definite regulations, I do not think I have anything to press further.

Mr. *Alpheus Morton.*

1066. Is there any further correspondence we have not got?—The correspondence is not complete; it is going on.

Mr. *Arthur O'Connor.*

1067. (To Sir *Gerald FitzGerald.*) Will you kindly re-read that portion of your letter which refers to the reduction of stock; I could not quite understand it?—"This arrangement operates to the advantage of the Service, because the issue of made-up garments varies considerably from year to year, and by crediting Sub-Head M. with the payments by the contractors any excess beyond estimate can be met without a depletion of stock."

1068. I do not understand that?—This being a Store Account question, Mr. Yorke will be able to explain it more clearly han I can.

1069. If you issue in kind to contractors, and they send you back garments and you get a cash payment, either you have cash without reduction of stock, or you must have a reduction of stock?—I do not know how that is dealt with in the Store Accounts.

Mr. H. F. R. YORKE, called in; and Examined.

Mr. *Arthur O'Connor.*

1070. WILL you kindly explain that passage in the letter which Sir Gerald FitzGerald has read, which was sent to the Treasury referring to the non-reduction of stock, so as to make it clear?—If the materials were issued to the contractor, and the money which he paid for them were paid into the Appropriations in Aid, then, if the supply of made-up garments was larger than I had estimated for at the beginning of the year, I could not spend the money in excess of what is provided in the Estimates, and therefore my stock would be depleted. I provide now for, say, 200,000 yards of serge, and I issue what is necessary to have made-up into garments; the money is returned to me and I replace the serge.

1071. You issue to the contractors, say, 10,000 yards of serge, for which you are to be repaid?—Yes.

1072. Do they pay you cash?—Yes. That goes in aid of that Vote.

Mr. *Arthur O'Connor*—continued.

1073. That goes in aid of that Sub-Head of the Vote, does it; then, if within the financial year they send in the serge made up you have your stock replenished, have you not, though in a different form?—I do not quite follow you.

1074. Suppose you issue serge and it is made up into garments and returned to you within the financial year, the material having been paid for by contractors, your stock is not diminished, though the form of it may be altered?—The stock of serge, I mean; not the total combined.

1075. But you have it both in meal and malt, it seems to me, if you get the cash and you have your serge, but in a different form?—No; what takes place is this: I originally pay for this serge and get the money back for it and pay the money out again for it.

1076. That may have been done at a period long antecedent; you may have had the serge

on

NAVY APPROPRIATION ACCOUNT.

Vote 2.—Credit of Value of Cloth to Sub-Head M., Seamen's Clothing—*continued.*

Mr. *Arthur O'Connor*—continued.

on hand for several financial years, may you not?—For more than a year; that is quite possible.

1077. Then, say you have a thousand yards of serge which you issue on repayment to a contractor; he pays you cash; you have that cash, and he returns to you the garments?—Yes, and I pay him for them.

1078. That is the answer?—Yes.

1079. Then do you pay simultaneously with delivery by him?—As soon as the garments are accepted and the accounts and receipt have gone to the Admiralty, and the contractor has sent in his claim.

1080. Then I understand that you issue in kind to the contractor?—Yes.

1081. You get cash for the material?—Yes.

1082. He delivers made-up articles and you pay him cash?—Yes; what we then pay for is the material, plus the cost of making up.

1083. Where is the advantage to the public in dealing with that by way of deduction from a debit item, rather than by putting it into the Appropriation in Aid?—Supposing I provided in the Appropriations for only 10,000*l.* worth, and they wanted 20,000*l.* worth, where should I get the extra 10,000*l.* to pay with?

Sir *Arthur Hayter.*

1084. Now, do you keep up your stocks by the repayment?—Yes, by the repayment.

1085. Do you buy more serge than the contractors pay you for?—If I provided 10,000*l.* worth, and there were exactly 10,000*l.* worth of garments required, it would make no difference.

Mr. *Arthur O'Connor.*

1086. But if he returns these things made up in the same financial year, what then?—Then I have no money to pay him, except by depleting my stock.

1087. I do not quite see that?—The money is only taken once in the estimate; that is under the head of serge, say, for the sake of argument.

1088. All you have to pay is the expense of making?—Yes.

1089. You have the material?—Yes.

1090. And is not your Vote large enough to meet any amount of making up?—Yes; making up is taken in my Vote.

1091. Do these transactions with the contractors, whatever may be the form of them, cover only the cost of making up?—Yes, so long as I can get the money; but if money is to go to the Appropriations in Aid exceeding what I have settled to get from the Appropriations in Aid I could not use it; that is my difficulty.

Mr. *Alpheus Morton.*

1092. (To Sir *Gerald FitzGerald.*) May I ask, for information, what is the meaning of "beer money; do you give the men the money to do

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Vote 2.—Credit of Values of Cloth to Sub-Head M., Seamen's Clothing—*continued.*

Mr. *Alpheus Morton*—continued.

what they like with, or are they obliged to spend it in beer?—They are not obliged to spend it on beer.

1093. They can spend it on tea or coffee, can they?—Yes, but it is beer money, or an allowance in lieu of beer.

1094. With regard to Appropriation in Aid on page 18, I suppose that refers to India, which we have been discussing, and I need not, therefore, discuss it?—To which item do you refer?

1095. There is a deficit of 34,644*l.* on page 18; does that refer to the matter we have recently been debating?—Yes, a portion of it.

On VOTE 4.

MARTIAL LAW.

Mr. *Alpheus Morton.*

1096. (To Sir *Gerald FitzGerald.*) I want to ask a question about a sum of money which appears on page 22, for Courts Martial. There is a deficit here too, I see. Can you give me any explanation of how this money is spent on Courts Martial?—The Courts Martial required in the course of the year entail certain expenditure, which is charged under this head.

1097. Is it for lawyers, or taking evidence, or for what?—For taking evidence, principally; the travelling expenses of witnesses, and the necessary expenditure of the Court.

1098. Do you provide anybody to give assistance to the prisoners?—There is, I believe, an officer appointed to watch the case on his behalf.

1099. Who is he, or what is he?—He is an officer placed at the disposal of the prisoner, for his defence.

1100. That does not cause any expenditure, does it?—No.

1101. This amount is for witnesses generally, and that sort of thing, is it?—Yes.

On VOTE 5.

EDUCATIONAL SERVICES.

ROYAL NAVAL COLLEGE, GREENWICH.

Chairman.

1102. (To Mr. *Ryder.*) Do you notice, at the top of page 154, that the sum of 5,000*l.* was paid by the Admiralty to Greenwich Hospital as an amount considered due to the Hospital funds?—Yes.

1103. The point apparently is this, that this sum was sanctioned by Parliament for a given year, but the expense had been going on during the previous year, and when the sanction was given in the second year the Treasury took it

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Vote 5.—Royal Naval College, Greenwich—*continued.*

Chairman—continued.

upon themselves to sanction the payment for the previous year, on the ground that such sanction came within the general purview of the intentions of Parliament; is that so?—If I recollect rightly, that amount was recommended by a Parliamentary Committee.

1104. And was sanctioned by Parliament?—It was sanctioned by Parliament.

1105. (To Sir *Gerald Fitz Gerald.*) But it was paid for the year previous to that sanction; is not that so?—Yes.

1106. (To Mr. *Ryder.*) Upon that I have to ask this question: was that done with the sanction of the Treasury; the Comptroller and Auditor General has called the attention of the Committee to the matter; has the Treasury any remark to make upon it; I presume they thought it came within the scope of the intention of Parliament?—I have no doubt that that was so.

1107. (To Sir *Gerald Fitz Gerald.*) Can you give the Committee any further particulars with regard to the matter?—May I read paragraph 5 of the Treasury letter, dated 23rd June 1892, which says, "On the above condition they sanction the payment of a rent of 5,000*l.* per annum for the current year 1892–93, provided the extra charge of 4,900*l.* can be met out of savings. If, however, there is no prospect of effecting the requisite saving on Vote 5, Educational Services, to which the rent will be chargeable, my Lords must ask the Board of Admiralty to inform them as soon as possible of the other Navy Votes on which, and in what proportions, respectively, sufficient savings may be expected, in order that a communication thereof may be made to the House of Commons in accordance with the Resolution of 4th March 1879."

Mr. *Hanbury.*

1108. But this transfer of 4,900*l.*, as I understand, was not to meet any new expenditure that had arisen at all; it was to meet the rent of a building, or whatever it was, for which Parliament had actually provided in full. Parliament had voted 100*l.* for the rent, and considered that sufficient, had they not?—Yes, at the time.

1109. So that no new circumstances had arisen; there were no extra buildings or anything, but although Parliament had provided that in full the Admiralty, with the Treasury sanction, paid an extra sum of 4,900*l.* for that very item?—Yes; but the honourable Member will remember that a Committee reported to Parliament with regard to Greenwich Hospital age pensions, and it was in consequence of that Report the Admiralty was induced to apply to the Treasury for this additional rent. When I mention that there were 2,650 persons 55 years of age not receiving Greenwich Hospital pensions, the Committee will understand why the rent was increased from 100*l.* to 5,000*l.*, namely, in order to assist

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Vote 5.—Royal Naval College, Greenwich—*continued.*

Mr. *Hanbury*—continued.

in giving pensions to these men who entered the Navy before 1868.

1110. I do not say that the object was not a good one, but I am asking whether it was not highly irregular, Parliament having voted in full the rent of 100*l.*, for the Admiralty and the Treasury together to increase that rent, without the knowledge of Parliament, to 5,000*l.*?—But Parliament was aware, by the presentation of the Report of Colonel Hughes's Committee, that it was recommended that a sum should be found by the Admiralty for giving pensions to those 2,650 men.

1111. That may be, but for the Committee to recommend it is one thing, and for the Treasury and the Admiralty to pay it, is another?—Quite so.

Mr. *Arthur O'Connor.*

1112. They wanted more money for pensions, and not being able to obtain it from any other source, they took it under the head of rent?—It was always considered that the Admiralty did not pay sufficient rent to Greenwich for the value of the building.

1113. Is that what you have done?—Yes.

1114. Has not Parliament by statute directed 100*l.* to be the rent?—Not by statute; only by provision in the Estimates.

Mr. *Alpheus Morton.*

1115. I understand that you claim that the money went to a good object?—Yes.

1116. But that is not a sufficient excuse, is it, for taking the money of the nation?—With the consent of the Treasury we considered that we were justified, in view of the Report of the Committee, and for such an excellent object as this was admitted to be both in and outside Parliament, in paying an additional rent in order to provide for these pensions.

1117. I do not doubt the excellence of the object, but why not come to Parliament, and ask Parliament in a straightforward way for it?—I am not aware whether Parliament was sitting at that time.

1118. Not in June 1892?—Well, it was quite at the end of the Session.

1119. Parliament sat that year up to the end of June. They rose about the end of June, as far as my recollection goes, did they not?—Then it was probably too late. This letter from the Treasury is dated the 23rd of June, and it was too late, probably, to bring the matter before Parliament; in fact, the Estimates were all passed by the 9th of June.

1120. How does it stand in the Estimates of last year?—At 5,000*l.*

1121. Was any explanation given by anybody, do you know, in any way, on the Estimates of last year; did the Minister in charge make any explanation,

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Vote 5.—Royal Naval College, Greenwich—*continued.*

Mr. *Alpheus Morton*—continued.

explanation, or was there any explanation given at all?—I should think that the Financial Secretary, who moved the Estimates on that Vote, would do so.

1122. Do you not think it would have been much better to come to Parliament for a Supplementary Estimate earlier last year?—No, I do not think so. It would have been too late to ask Parliament to discuss a Supplementary Estimate for such a paltry sum as 4,900*l.*

1123. Do you think it fair to call 5,000*l.* a paltry sum?—Yes, in considering the millions granted to the Navy.

1124. But is it a paltry sum?—I only say so, speaking in a relative sense.

1125. Why could you not have come for a Supplementary Estimate earlier last year, before we completed the year 1892–93?—Colonel Hughes's Report is dated April 1892.

1126. Why could you not, before the 31st of March 1893, have come with a Supplementary Estimate?—Because the Treasury consented to the amount being paid in that year out of money available.

1127. I admit all that; but would it not have been possible for you to have come for a Supplementary Estimate last year before the 31st of March?—No, I think not.

1128. Why not?—It was not considered necessary.

1129. There would have been sufficient time, would there not?—Yes, time might have admitted of it.

1130. I suppose you are aware that we had Supplementary Votes last year?—I am not aware of that. There was not one for the Navy.

1131. I do not mean for the Navy, but for other matters. You are aware we had Supplementary Votes, are you not?—I do not know.

1132. Do you not know that we have had Supplementary Votes previous to the 31st of March nearly every year?—I read the papers, but otherwise I have no official knowledge of it.

1133. (To Mr. *Ryder.*) Why did not you insist on coming to Parliament in this matter?—It was believed that there was enough money in the Votes. The service was one which had been sanctioned in principle in the Educational Vote.

1134. Is this an Educational Vote?—Yes, a Navy Educational Vote.

1135. But I thought this was a charity, a pension?—No, the grant is for rent. We provide in our Estimates for rent to Greenwich, and it is handed over to Greenwich Hospital for another purpose. Greenwich Hospital gets the money for rent, and spends it upon pensions.

1136. Just so, and not upon education?—No; but Vote 5 covers all services, as far as the Navy Votes are concerned, for education,

Navy Appropriation Account.

Vote 5.—Royal Naval College, Greenwich—*continued.*

Mr. *Alpheus Morton*—continued.

1137. This 5,000*l.* was not spent on education, was it?—It is provided as part of the cost of the College.

1138. Then how can you call it an Educational Vote, when it is a pension?—Because it is a part of the Vote for the Naval College, and as such is for educational services.

1139. Not as a pension?—No, the rent of the College.

1140. Just so, but then the money was expended on pensions?—The Treasury had nothing to do with the way in which the Hospital chose to spend the money. The Treasury had to sanction the rent of the College.

1141. Do you think it right to allow Parliament to vote money for education, and for the Department to spend it upon pensions?—It is not so; it is the Trustees of the Hospital who spend it.

1142. But it is handed over by the Department, is it not, knowing that it is going towards pensions?—Yes.

1143. And not education?—It is spent, in this instance, upon an educational service, namely, the rent of a Naval College, and that is the justification for charging the amount to this Vote.

1144. It was well known, was it not, that the object of giving them this additional rent was to enable them to give pensions?—It was well known to Parliament.

1145. I mean, was it well known to the Treasury?—To the Treasury, and to Parliament.

1146. And not for education at all?—I cannot agree with you. The first object of the expenditure was an educational one, the rent of the College. It was perfectly well known that the receivers of the rent would spend the money upon pensions.

1147. If I understand you, the Vote is educational; that I clearly admit, but then the extra 4,900*l.* was to go in pensions, was it not, and not in education?—It was to go in rent.

1148. Not education?—It was to go in rent of the College, and, therefore, for an educational service.

1149. But is a pension an educational service?—I say that the rent of the College is an educational service.

1150. I quite understand that, and that is the immediate object of the expenditure of the money; but is not the object of this Vote that the money should be spent on education?—There was an ulterior object, no doubt, in view of the Hospital, and in view of Parliament.

1151. Then is it fair to come to Parliament and ask for a Vote of 4,900*l.* for education, knowing that it is going to be paid in pensions?—I think so, when the money that is paid is the fair rent of a Naval College.

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Vote 5.—Royal Naval College, Greenwich—*continued.*

Mr. *Alpheus Morton*—continued.

1152. But Parliament for many years considered 100*l.* the fair rent, did it not?—No; Parliament had, on the recommendation of Ministers, consented to apportion what was confessedly only a nominal rent for the College. Practically no rent was paid for the College, but it was considered, later on, fair to pay a proper rent for the College.

1153. Who built the College; can you tell me; was it built out of a Parliamentary Grant?—I think out of contributions from the Merchant Service and from the Navy. Shares of freight, of specie, and many different sources, I believe, were drawn upon for the original foundation of the Hospital.

1154. Not what you would call public money; would you call that public money, or not?—No doubt it would come under the general head of public funds.

1155. Then the College belonged to the nation, did it not?—The College belonged to the Hospital.

1156. Does not the whole lot belong to the nation?—It belongs to the nation in the sense of being a public institution of which the nation is proud. It was founded by Sovereigns, and by benevolent people, and by Parliament.

1157. And it is a public building, is it not?—No doubt.

1158. Therefore we are now giving a rent for our own building, are we not?—For a hospital building.

1159. But it is our building; it was our building previously, was it not?—I think it would be more proper to call it a hospital building intended for charitable purposes in the first instance.

1160. Of course I do not want to delay the Committee, or you either, but do you not think it would have been much wiser to have allowed us an opportunity of considering this in Parliament before the nation was pledged to it?—I believe the matter was one in which Parliament took a keen interest; the matter was very well known, and I believe the general feeling of the House of Commons was strongly in favour of this rent being paid.

1161. (To Sir *Gerald FitzGerald.*) There is nothing in the Report you referred to about therent, is there?—Yes. The Report recommends a rent of 5,000*l.* May I read this extract: "The suggestions which have been made as to an increase of funds fall under five heads. The first is rent. The Navy pays, at present, a rent of only 100*l.* a year for the use of the greater part of the Royal Hospital buildings. These are assigned to the Naval College, which exists for the examination and preparation of junior officers of the Royal Navy. Although

Navy Appropriation Account.

Vote 5.—Royal Naval College, Greenwich—*continued.*

Mr. *Alpheus Morton*—continued.

the annual repairs to these buildings, amounting to over 3,000*l.* a year, are borne by Naval Funds, the Committee are of opinion that a rent of not less than 5,000*l.* over and above the cost of such repairs should be paid out of Naval Funds to Greenwich Hospital, and they would recommend that a careful valuation of the Greenwich Hospital buildings should be made." That is an extract from the Report of Colonel Hughes's Committee.

1162. Then, besides the 5,000*l.* rent, it costs us from 3,000*l.* to 4,000*l.* for repairs, does it not?—That is so.

Mr. *Hanbury.*

1163. The point is not, as I understand, that this 5,000*l.* should not be paid in future, but the objection is that it was made retrospective?—Only for one year.

1164. I know, and it is for that one year I say they had no right to do it. The Report applied to the future; is not that so?—The Report is dated April 1892; and that was the year in which the increased rent was paid. At the commencement of the financial year the Committee reported to Parliament, and in the same year, 1892-93, the Treasury allowed us to pay this additional sum of 4,900*l.*

Mr. *Alpheus Morton.*

1165. Do you not think that in future it will be better to allow Parliament an opportunity of discussing a matter of this sort?—I can give no opinion upon that.

1166. If we cannot get that out of you, I suppose this sort of thing will continue?—In such a case as this we go to the Treasury for sanction to allow us to meet the payment out of any savings legitimately available.

1167. You shelter yourself under the Treasury. (To Mr. *Ryder.*) I should like to ask you one more question; do you not think it would be better to come to Parliament, and get sanction before spending money?—I entirely agree with the honourable Member, if the service is one that is likely to prove a matter of dispute in the House. If there is a known difference of opinion in the House upon it, in such a case it certainly would be very inexpedient to pay money out of savings.

1168. Might not there have been an opinion in Parliament worth notice, that rather than pay rent on our own buildings we should vote the money direct?—I think the Treasury was quite satisfied that the general sense of the House of Commons was in favour of paying this rent as recommended by the Committee.

1169. Do you not think it would be better that, instead of paying rent on our own buildings, we

18 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Sir G. FitzGerald, K.C.M.G., and Mr. H. F. R. Yorke. [*Continued.*

NAVY APPROPRIATION ACCOUNT.

Vote 5.—Royal Naval College, Greenwich—*continued.*

Mr. *Alpheus Morton*—continued.

we should have voted the amount direct?—I do not think the Treasury would admit that the building was our own in the sense meant by the honourable Member.

1170. But we have kept it in repair, have we not? — Because we were using it, and it is a tenant's obligation to keep it in repair.

1171. What were you using it for?—As a Naval College.

1172. As belonging to the nation?—Certainly.

[The Witnesses withdrew.

Wednesday, 25th April 1894.

MEMBERS PRESENT:

Mr. Bartley.
Mr. Buchanan.
Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Webb.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

NAVY APPROPRIATION ACCOUNT, 1892–93.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Sir GERALD FITZGERALD, K.C.M.G., called in; and Examined.

On VOTE 6.

SCIENTIFIC SERVICES.

Mr. *Alpheus Morton.*

1173. (To Sir *Gerald FitzGerald.*) WHAT is the meaning of Sub-Head N., "Contributions in Aid of Scientific Institutions;" who gets that money?—It is stated in the Estimates; they are contributions to the funds of the Royal United Service Institution, and the Institution of Naval Architects.

1174. Does it represent any service to the Navy?—Yes; the United Service Institution is both for Army and Navy.

1175. Therefore you consider that you get repaid in some way for this money that the State spends?—Yes.

1176. With regard to the deficit in the Appropriations in Aid, Sub-Head O., the explanation given on page 29 is that "the amount realised by sale of charts" was "less than anticipated;" how does that arise?—The charts are sold to the public, and it depends upon the demand whether we realise the amount estimated.

Mr. *Alpheus Morton*—continued.

1177. £. 1,380 7*s.* 6*d.* is a considerable reduction upon a 10,000*l.* Estimate, is it not?—Yes; but charts are very expensive, and some considerable number were probably unsold that year.

Mr. *Hanbury.*

1178. There is no difference in the price of the charts, I suppose?—No.

Mr. *Alpheus Morton.*

1179. Who purchases those charts; is it the Merchant Service?—Yes.

1180. Is it that they do not think they are worth having?—I should think not; it entirely depends upon the requirements of trade whether more charts are sold in one year than in another.

On VOTE 7.

EXCESS EXPENDITURE ARISING FROM PAYMENT OF COMPENSATION TO ROYAL NAVAL ARTILLERY VOLUNTEERS ON DISBANDMENT.

Sir *Arthur Hayter*

1181. (To Sir *Gerald FitzGerald.*) Was it not anticipated that the Royal Naval Artillery Volunteers would be disbanded?—Yes.

1182. Why was such an inadequate sum taken as 1,000*l.*?—Because the subject had not then been considered by the Committee appointed later to decide on what compensation should be given to the Royal Naval Artillery Volunteers.

1183. Is this 5,842*l.* all the compensation they will have?—Not entirely; a small provision will be necessary for this service until 1895–96 on account of the pay of Commander Fletcher (10*s.* a day), which, under the approval of the Treasury letter of 24th June 1892, is to be continued until the expiration of the period for which he was engaged; that is, the 10th of October 1895.

Sir *Arthur Hayter*—continued

1184. He was attached as lieutenant instructor, I understand?—Yes.

1185. (To

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

Navy Appropriation Account.

On Vote 8—I.

Personnel (Dockyards).

Overtime at Malta Dockyard.

Chairman.

1185. (To Sir *Gerald FitzGerald.*) With regard to overtime at the Malta Dockyard, you will observe that the Comptroller and Auditor General says he has inquired at the Admiralty as to the regulations that exist for securing systematic supervision, in the terms of a letter that will be found in the Appendix; he says to this letter no reply has been received; has that letter been since answered?—Yes; the letter referred to by the Comptroller and Auditor General was answered on the 13th of February of this year, to the effect that "My Lords are satisfied that overtime at the Dockyard is only resorted to in cases of absolute necessity, keeping in view the dates when H.M. Ships are required to be in readiness. My Lords are also satisfied that the attendance of salaried officers, when men are working overtime, is constant, and that it is carried out in accordance with the Home Dockyard Regulations, which, in this respect, are in operation at Malta; and further, that the time of employment is properly noted by the recorders of work."

1186. (To Sir *C. L. Ryan.*) Do you think that reply is satisfactory?—Yes; I think so.

On Vote 8—II.

Matériel (Shipbuilding).

Deficit under Sub-Head B.—Metals and Metal Articles.

Chairman.

1187. (To Sir *Gerald FitzGerald.*) You will observe that in regard to the depletion of stock, the Comptroller and Auditor General goes on to say that in the absence of further explanations from the Admiralty (which had been asked for but not yet received), and founding upon the figures which he sets out in his Report, the excess expenditure under Sub-Head B. would seem to be fairly assignable in large part to purchases made with a view to increase stock, and to ease the Votes of the succeeding year; may I ask whether the further explanations, which had been asked for prior to the date of the Report, and had not been received at the time of its publication, have been subsequently rendered?—Yes, the query was answered on the 5th of February of this year. As this point is intimately connected with the Store Accounts, it is suggested that it should be taken up with paragraph 1 of the Report on those Accounts.

1188. (To Sir *C. L. Ryan.*) Is that explanation all that you would expect or not?—I think that if the Committee want to go further into the

Navy Appropriation Account.

Vote 8—II.—Deficit under Sub-Head B.—*continued.*

Chairman—continued.

matter that is dealt with in this paragraph of the Report, it would be better, perhaps, to reserve it for the Store Accounts, because the Director of Stores will then be present and explain it, and it will save going over the ground twice.

1189. You recommend that we should take it up with the Store Accounts?—I think it would come better with the Store Accounts.

1190. (To Sir *Gerald FitzGerald.*) You will observe what is said at the top of page 155, as to certain transactions being "viewed with jealousy by the Public Accounts Committee, as offering a temptation to departments to spend savings." In regard to that, the Comptroller and Auditor General goes on to say, "how far the Admiralty may be able to offer further explanations of the balance of the Excess Expenditure, and how far this may prove to be defensible, I am at present unable to state; but the point is important in its bearing on 'Surpluses' discussed in paragraph 6 above." I believe you have obtained Treasury sanction?—Yes; Treasury sanction was obtained on the 18th of March 1893, and a copy of the Treasury letter furnished to the Comptroller and Auditor General on the 13th of this month. The papers were mislaid, otherwise a copy of the letter would have been sent to him earlier.

1191. You argue that this is covered by Treasury sanction?—Yes, that is so.

1192. (To Sir *C. L. Ryan.*) Are you satisfied with the Treasury sanction that has been obtained?—I am satisfied so far, that the Treasury have given their sanction.

1193. You have no further remarks to make?—I have not.

Mr. *Alpheus Morton.*

1194. (To Sir *Gerald FitzGerald.*) Have you got the letter in which the Treasury give their sanction?—Yes; it is dated 18th of March 1893

1195. Will you read the letter, if it is not very long?—It is rather a long letter, and the subject is entirely technical. One paragraph in it says: "My Lords understand that the excess provision for Personnel is explained by the necessities of providing wages for a 53rd week, of which only one day will be accounted for in the Expense Accounts, 1892-93. Confining, therefore, their attention to Matériel, they observe that the expected saving of 75,000*l.* on previous years has not been forthcoming, and that consequently if the estimated expenditure of 632,400*l.* on Matériel be realised, the depletion of stocks would amount to 147,000*l.* instead of 72,000*l.*" No doubt the Director of Stores will be able to explain the matter if necessary.

Mr. *Arthur O'Connor.*

1196. What was the date of the Admiralty letter asking for the sanction?—It must have been early in March.

1197. I understand

NAVY APPROPRIATION ACCOUNT.

Vote 8—II.—Deficit under Sub-Head B.—*continued.*

Mr. *Alpheus Morton.*

1197. I understand the Treasury letter is dated the 18th March 1893, and the Comptroller and Auditor General does not get it till March 1894?—As I just mentioned, the delay was on account of the papers being mislaid.

1198. What is the explanation that of their being mislaid for 12 months?—Owing to the large number of papers passing through our hands, these were put up with others and mislaid.

1199. In their letter did the Treasury qualify their assent in any way?—No. In their reply they enter into details, which I am afraid the Committee would not follow, it being a very technical subject.

1200. I do not care about the details. I want to find out whether they qualify their assent with regard to the future, or anything of that sort?—No.

Chairman.

1201. In the main they give their assent?—Yes.

1202. (To Sir *C. L. Ryan.*) That assent having been received, you have no further remarks to make?—No.

Mr. *Arthur O'Connor.*

1203. (To Sir *Gerald FitzGerald.*) The application made by the Admiralty to the Treasury was not made till the last month of the financial year?—That is so.

Mr. *Alpheus Morton.*

1204. How long was that after the money was spent?—It was actually before the money was spent.

Mr. *Arthur O'Connor.*

1205. It was when you had anticipated that there would be a surplus on the Vote?—Yes.

1206. And this was one means of getting rid of it?—No; I do not admit that.

VOTE 8—III.

CONTRACT WORK.

WAIVING OF A CLAIM AGAINST CONTRACTORS IN RESPECT OF UNFINISHED WORK ON H.M.S. "BLENHEIM."

Chairman.

1207. (To Sir *Gerald FitzGerald.*) I must ask your attention to the last sub-section of this paragraph in which certain claims are alluded to, and the Comptroller and Auditor General goes on to say, "In these circumstances I have inquired whether the abandonment of claim, and the consequent charge to Navy Votes, has been referred to the Treasury, but up to the present I remain without information on this point, which seems important, inasmuch as similar cases are not unlikely to occur." May I ask have you referred yet to the Treasury?—Yes.

NAVY APPROPRIATION ACCOUNT.

Vote 8—III.—Waiving of a Claim against Contractors, &c.—*continued.*

Chairman—continued.

1208. What reply has been received?—We wrote to the Treasury on the 3rd March 1894, and we received a reply on the 27th March.

1209. To what effect was the reply?—I can read the reply, but this is a very technical matter.

1210. In the main, do the Treasury assent to what you asked for?—They have asked for further information, which will be given to them.

1211. (To Sir *C. L. Ryan.*) Are you cognisant of this correspondence?—No, I am not. So far as I know the matter is still under consideration. I have not been supplied with any correspondence upon the subject.

1212. (To Sir *Gerald FitzGerald.*) Have you made any further reference to the Treasury?—We received a letter from the Treasury on the 27th March, as I mentioned. They say in that letter: "I am directed to state that, before my Lords arrive at a decision as to the propriety of the course taken by the Lords Commissioners of the Admiralty in this matter, they request to be informed in the case of each of the ships concerned; (a) of the particular reasons for taking over contract work, and doing it in the Dockyards; (b) of the specific amounts of expenditure incurred in carrying out the contractors' work as distinguished from the cost of further work, and of modifications, &c., not covered by the contract."

1213. Shall you render further information to the Treasury as they request?—Yes; further information will be given to the Treasury. Their letter was only written on the 27th March.

Mr. *Hanbury.*

1214. That is a month ago?—Yes.

1215. I understand no answer has yet been given?—It is a technical question, and requires much investigation.

Sir *John Hibbert.*

1216. How soon will an answer be sent?—We are making inquiries at the present moment, and we hope to send a reply in a few days. The question is a professional one. Mr. Gordon Miller will explain it to the Committee if they wish. The letter to the Treasury of 3rd March explains the case in great detail. I shall be glad to read it, if necessary.

Chairman.

1217. After receiving that letter the Treasury have asked for further information, so that it would be no use reading the letter, because it will not be conclusive. I think we must postpone this point. I understand you will send a further reply to the Treasury, which they will then have to consider?—Yes.

Further consideration of paragraph 17 postponed.

1218. (To

Navy Appropriation Account.

Vote 8—III.—*continued.*

Deficit on Sub-Head D. caused by Purchase of Vessels not provided for in 1892–93.

Chairman.

1218. (To Sir *Gerald FitzGerald.*) You will observe towards the bottom of page 155 the Comptroller and Auditor General makes a quotation from a Treasury letter to the effect that a particular service "does not seem to them of so pressing a character as to warrant the use of the power of applying savings on one Navy Vote in aid of another on its behalf;" and then he goes on to say that the purchase of the vessel for surveying service would also appear from the correspondence to have been made in 1892–93 without any very strong grounds of urgency being shown. Have you any remarks to make upon that?—Yes. Another vessel was required for surveying service, and the Estimates for 1893–94 did not include provision either for the purchase or building of such a vessel. The Admiralty considered that as at the time several suitable vessels were being offered for sale, and as under the appropriate Shipbuilding Vote an ample surplus was available, the purchase was duly waranted, the necessary Treasury sanction being obtained.

1219. (To Mr. *Ryder.*) The Treasury gave their sanction, did they not?—The Treasury did give their sanction, on condition that the excess on the Sub-Head was met out of savings on other Sub-Heads of the same Vote.

1220. The outcome of the Comptroller and Auditor General's Report seems to be that in these cases urgency is needed, whereas in this case such urgency does not appear to have existed; what have you to say on that point?—The same point came before the Committee, I think, a fortnight ago. According to the view of the Treasury, a very different degree of urgency is required for the use of the powers under Section 4 of the Appropriation Act, which enable the Treasury to approve of the use of a surplus on one Vote to meet a deficit on another Vote. In the present case there was no question of exceeding a Vote; it was a question of exceeding a Sub-Head of the Vote only; and the Treasury held that a less degree of urgency was sufficient to justify an excess of that kind.

1221. But the Treasury still maintain, I understand, that there was some urgency in the matter?—Certainly; that it was a desirable thing to do.

1222. But apart from the desirability, there was some degree of urgency?—Yes, I think within the full meaning of the word one may say so; wherever it is really desirable in the public interest to incur an excess upon a Sub-Head, there must be a certain amount of urgency.

1223. (To Sir *C. L. Ryan.*) Have you anything to say upon that, after hearing what Sir Gerald FitzGerald and Mr. Ryder have said?—It was a case which it seemed to me to be desirable that I should notice, in order that it might come before this Committee and be considered by them. It was not a case which I felt myself justified in passing absolutely without notice, and therefore I noticed it. It will be for the Committee to consider whether the explanations given by the Admiralty and the Treasury satisfy them.

1224. The point is really as to whether the degree of urgency was sufficient or not under the general tenor of the Appropriation Act?—I think that is so. My idea was, that this was one of the cases that ran very near the line, and that I was taking upon myself too great a responsibility if I passed it without notice.

Mr. *Philip Stanhope.*

1225. (To Mr. *Ryder.*) In authorising the application of surpluses to meet deficits on another Sub-Head in the same Vote in cases of what we may call inferior urgency, are the Treasury acting on a new rule, or is it one that has been generally adopted?—It is in no sense a new rule of the Treasury; it has existed ever since Sub-Heads have existed, and Sub-Heads have existed for about 30 years. Before that time the term was not used in connection with the Estimates at all.

1226. Since that time has it been the custom of the Treasury to sanction such applications in cases of inferior urgency?—Yes.

Mr. *Webb.*

1227. (To Sir *Gerald FitzGerald.*) Did this appropriation become necessary in consequence of the sudden discovery that this vessel was not in a proper condition?—The letter of the Admiralty to the Treasury of 24th February 1893, which is printed with the Account, says, "The service is at the present time two vessels short of the number that were employed a year or two ago. One of the vessels belonging to that service is now found to be in such a condition that she cannot be re-commissioned. There are no men-of-war available which would be suitable for the special requirements of the surveying service. In these circumstances, and in view of the fact that several suitable vessels were just now being offered for sale, my Lords advertised in the newspapers for a steam yacht of about 300 tons, and after a careful examination of the details of all the vessels which have been offered, my Lords have come to the conclusion that a vessel which can be adapted for the service required can be obtained for about 12,000*l.*" That explains the case of urgency brought before the Treasury prior to their sanction being given for the purchase of this vessel.

Mr. *Alpheus Morton.*

1228. Was it impossible to have put this in the Estimates for last year?—It was not possible at that time, viz., 24th February 1893. It was after the Estimates had been presented to Parliament for 1893–94 that the case of urgency arose.

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

Navy Appropriation Account.

Vote 8—III.—Deficit on Sub-Head D., &c.—*continued.*

Mr. *Alpheus Morton*—continued.

1229. Was not that known in time to have put it into the Estimates?—No.

1230. Is the stock of vessels for surveying purposes allowed to get so low as that that it is obliged to be made a matter of urgency?—One of the vessels employed upon that service was found to be in such a defective condition that she could not be re-commissioned.

1231. Do you not find out at the time a vessel is in such a state?—It was on the survey of the ship for re-commissioning that it was found she was not fit for the service.

1232. I suppose all vessels of this sort are regularly surveyed?—They are specially surveyed when about to be re-commissioned.

1233. Cannot that be done in time to put a charge of this sort in the Estimates?—It was not possible in this case.

Mr. *Hanbury.*

1234. (To Mr. *Ryder.*) One question on a point of practice; as I understand, under Section 4 of the Appropriation Act, you have to show urgency in order to enable the Treasury to allow the Department in question to pay for an excess on one Vote out of the savings on another; are these different sections of Vote 8 treated as separate Votes for that purpose, because in the House of Commons they are put separately as separate Votes; what is the practice of the Treasury with regard to Sections I., II., and III., of the Vote?—They are regarded as separate Votes for the purpose of Section 4 of the Appropriation Act.

On Vote 9.

Naval Armaments.

Extended Statement showing Grant and Expenditure under "Normal" and "Dockyard" separately.

Chairman.

1235. (To Sir *Gerald FitzGerald.*) You will observe what the Comptroller and Auditor General says, at the end of this paragraph, in regard to certain net excesses after considering surpluses; he goes on to say, "The explanations under Sub-Heads F., Guns; G., Projectiles; and H., Torpedoes, in regard to the large 'Dockyard' deficits, seem insufficient, inasmuch as they do not account for the rapid delivery of 'Dockyard' Armaments, in face of the conditions operating adversely to the supply of 'Normal' Armaments of the same class." What explanation have you to give in regard to that insufficiency?—The explanation is given in the last clause of this paragraph of the Comptroller and Auditor General's Report, in which he says, "In reply to a request for fuller particulars, I

Navy Appropriation Account.

Vote 9.—Extended Statement showing Grant and Expenditure, &c.—*continued.*

Chairman—continued.

have been informed that the circumstances of the two classes of supply are not similar, as in the case of 'Normal' Armaments 'a large portion of the orders was placed in the year 1892–93'; while, in the case of 'Dockyard' Armaments 'many orders were given in prior years and matured in 1892-93.'"

1236. (To Sir *C. L. Ryan.*) May I ask whether you consider that explanation sufficient?—Yes. The Appropriation Account as rendered did not seem to explain it sufficiently, and therefore I thought it was right to give in my Report the further explanation which the Admiralty gave me.

1237. You have now no further objection to make?—I see no reason to object to their explanation.

Sir *Arthur Hayter.*

1238. (To Sir *Gerald FitzGerald.*) There is practically no explanation at all in the Appropriation Account. The "explanation" given is that the deficit "will be met out of the savings of previous years." They are all very large deficits. Would it not be better to put in some explanation, for instance, with regard to Sub-Head F., Guns?—We shall be happy to give any further explanations thought necessary; but if the honourable Member refers to page 37, he will find full explanations given against each item.

1239. There are no explanations of the deficits on Dockyard Armaments; why is that?—Because all these deficits will be met out of savings in previous years. Those are savings which, under the Naval Defence Act, are available for expenditure under Armaments.

1240. Is that a sufficient explanation?—I think so.

1241. When you make the estimates do you know what savings there will be?—Yes; we know the amount of the Naval Defence Fund in the Bank of England.

1242. You make an estimate taking into account the savings in the previous years?—Yes.

Mr. *Alpheus Morton.*

1243. All this question of using the savings of previous years will, as we have been told before, come to an end with the Naval Defence Act, will it not?—Yes.

1244. All these deficits which refer to savings out of previous years come under that?—Yes.

Mr. *Arthur O'Connor.*

1245. The Estimate money, and the Defence Act money, are all connected with the balance in the Bank?—Yes.

1246. And, really, it is as if you had water in three different chambers all communicating; they

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C M.G. [*Continued.*

Navy Appropriation Account.

Vote 9.—Extended Statement showing Grant and Expenditure, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

they all keep practically level; you may try to depress or raise the water in one, but it will find its level in the other. Is it not practically so?—Yes, to a certain extent.

1247. So that, after all, this check on these Estimates, pending the settlement of this Defence expenditure, is nugatory, is it not?—No, I should not say so, so far as the "normal" services are concerned.

1248. Then I suppose those who have the spending of the money can always decide what is "normal" or not?—No; the Comptroller and Auditor General watches closely what is "normal" and what is "Naval Defence Act" expenditure.

1249. If you will kindly look at page 37, Sub-Head G., I see there is an explanation there which hardly accords with the facts set out in the figures. It says, "G., normal surplus, due chiefly to placing orders of several descriptions of ammunition with certain contractors for the first time, which resulted in short deliveries and large rejections." Could you explain how it was that those things arose; were the contractors unqualified persons; how did they get the contracts; and how was it that you did not enforce the deliveries in the proper time under the penal clauses of your contract?—The Storekeeper General of Naval Ordnance may be able to furnish information upon that point; but, as stated in the Account itself, there were large rejections owing to the placing of orders with contractors who took up the work for the first time, and were not able to conform to the strict conditions of contract.

1250. But surely the specification was clear enough to those contractors?—Yes; but the proof is very severe, and a contractor who takes a contract for the first time finds difficulty in satisfying the Inspection Department.

1251. But surely the contractors must be men of technical knowledge also?—I think rejections are always more frequent with first contracts.

Navy Appropriation Account.

Vote 9.—Extended Statement showing Grant and Expenditure, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

1252. Your experience is that, as a rule, upon first contracts there are a considerable proportion of rejections?—Yes.

Sir *John Hibbert.*

1253. Might it be the fact that they did not understand your system and your plans of action?—Possibly they took the contract under the idea that the inspection and proof were not so strict as it turned out to be.

Mr. *Arthur O'Connor.*

1254. Then that accounts for the surplus; the surplus is on the "normal" services only; is that so?—Yes.

1255. Where does your deficit come in?—Under Dockyard Naval Defence Services.

1256. You have a surplus and also a deficit; you put the surplus down entirely to the "normal" services?—That is, possibly, because the contracts upon which these rejections were so large were on orders given for "normal" services.

1257. One could understand that in connection with some new work which had necessarily to be entrusted to fresh hands; there might be ignorance of the conditions required, and rejections in consequence; but for "normal" services what difficulty would there be in getting what you want in the same way as you got in previous years?—That is a technical question I am not qualified to answer.

Mr. *Hanbury.*

1258. Were those contractors who had th larger orders for the "normal" service and were not able to carry them out, or had their projectiles rejected, also under contract to supply for the Dockyards?—I cannot say.

1259. I cannot quite see why there should be this surplus for the one and a deficit for the other, the two things being precisely similar?—Colonel Pease, who is here, would explain that point better than I can.

Colonel Thales Pease, C.B., called in; and Examined.

Mr. *Hanbury.*

1260. It appears that the contractors who were supplying projectiles and ammunition for the ordinary "normal" service were not able to supply a sufficient quantity, or what they did supply was rejected, and the consequence was there was a surplus. With regard to the projectiles and the ammunition for the Dockyard Service, I see there is actually a deficit; can you explain that state of things?—Yes; it is explained in this way: that the orders referred to as "Dockyard" orders are under the Naval Defence Act, and those contracts were entered

Mr. *Hanbury*—continued.

into in previous years, and in the course of the two or three previous years the contractors got somewhat in the way of manufacturing the stores, and, I suppose, precedence was given to the Naval Defence Act contracts in preference to the "normal" orders which were only issued during the current year of 1892–93.

1261. Then, in fact, the firms who failed to supply the "normal" services were not contracting for the service under the Naval Defence Act; is that so?—No; they were the same contractors in both cases.

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Navy Appropriation Account.

Vote 9.—Extended Statement showing Grant and Expenditure, &c.—*continued.*

Mr. *Hanbury*—continued.

1262. Was it a different kind of ammunition?—No, precisely the same; only the contractors naturally completed the first orders first.

1263. That might apply to deliveries; but I do not understand it as to the rejections?—There is not a question of rejections dealt with here.

1264. Surely there is; the explanation given on page 37 is that it "resulted in short deliveries and large rejections"?—As regards the rejections there may have been one or two new contractors.

1265. That is the very point I have been trying to get out?—I mean new contractors in the sense that they had not manufactured that particular description of shell. One contractor, for instance, will manufacture a 6-inch shell, and then if he takes to the 4·7-inch shell he will not manufacture it at all so well; one pattern he may manufacture very well, but another pattern he may not do so well until his workmen get accustomed to it.

1266. There were not large rejections for the Naval Defence service, I understand?—There would be a certain percentage of rejections; but you can quite understand, as the orders have been in the hands of the contractor for some time, they have got accustomed to the work.

1267. As I understand your explanation now, those rejections were not owing to the fact that you had new contractors, because the same contractors were doing the work for the Naval Defence and for the "normal" service; but they were owing to the fact that for the "normal" service you had a new kind of projectile or a new armament?—No. What I mean is this: a man will get into the custom of making one particular shell, say, and he will do that remarkably well; but if you give him another pattern of shell, perhaps smaller, it will take some time before his men will get into the line of that particular shell, and for the time being there will be large rejections of the latter shell.

1268. Were the new orders given for a new shell of this particular form only for the "normal" service for this year?—No; they were the same class for both the "normal" service and the Naval Defence Act.

1269. Then I fail to understand why there should be these large rejections for one service and not for the other, the shells being precisely the same, as I understand, and sent in by the same firm?—I am afraid I cannot make my explanation plainer.

Mr. *Arthur O'Connor.*

1270. You are not responsible for the explanatory remarks on page 37, are you?—Yes.

Mr. *Hanbury.*

1271. I suppose the inspection was by the War Office in both cases?—Yes, by the same branch.

Navy Appropriation Account.

Vote 9.—Extended Statement showing Grant and Expenditure, &c.—*continued.*

Chairman.

1272. Do you admit that they are precisely similar in the two cases?—They may not be the same contractors.

Sir *John Hibbert.*

1273. Were they new contractors in both cases?—I could not answer that question definitely without reference to the contracts themselves.

1274. You have given the reason in one case that they were new contractors; but you are not able to say whether they were new contractors in the case of the Naval Defence Act?—No, I cannot say.

1275. You do not know?—I do not know.

Mr. *Arthur O'Connor.*

1276. I understand you to say what is perfectly consistent with these words, namely, that they have contracted for the first time for a certain description of shell; they are not necessarily new contractors in the full sense of the word, though they may be new contractors in respect of one particular article supplied?—That is the point.

Advances to Contractors on Guns outside the Terms of Contract.

Chairman.

1277. (To Sir *Gerald FitzGerald.*) In the concluding sub-section of paragraph 20 the Comptroller and Auditor General says he has requested to be informed whether the concurrence of the Treasury in the foregoing of certain interest has been obtained, and also as to the particulars of the cases in which the new form of contract has been entered into in 1892–93; but as yet he has received no reply. Perhaps you have subsequently sent a reply?—Yes. I will read the explanation if you will allow me. When the order for the 43 six-inch quick firing guns was being considered, the contractors raised objections to certain conditions in the new, or special, form of contract, which had been in use from the commencement of 1892, and the Admiralty had no option but to revert to the old form of contract, it being necessary to obtain the supply of the guns without delay. In deciding to revert temporarily to the old form of contract, the Admiralty had in view the continuation of the mode of payment by advances as the work progressed, such advances not to be charged with interest, being, practically, in the nature of "instalments." Although no modification of the contract form appears to have been made by the Director of Army Contracts to meet this view, the contractors were, no doubt, fully aware of the Admiralty intention, and, therefore, raised no question on the conditions, but entered into the engagement in the spirit

NAVY APPROPRIATION ACCOUNT.

Vote 9.—Advances to Contractors on Guns, &c. —*continued.*

Chairman—continued.

spirit of the Admiralty intention, as in the case of former similar contracts. The Admiralty, accordingly, does not admit that, because of the omission to modify the contract form, the advances paid must be held to come under the clause permitting "exceptional" advances, as they certainly did not partake of that character, but were similar to all previous "payments on account" made on guns under construction. In these circumstances, it was not thought necessary to refer to the Treasury on the subject. The new form of contract for guns, which was brought into use in 1892, is now being revised to meet the objections of the contractors, who have been referred to in the matter. Pending a settlement of the points in question, a supply of the revised new form has not yet been printed. When this is done, the Comptroller and Auditor General will be furnished with a copy, was well as with a list of contracts entered into for which the new form has been used in 1892–93.

1278. (To Sir *C. L. Ryan.*) Are you satisfied with that explanation which has been read?—The explanation is new to me, and I have not had any opportunity of considering it; but as I understand new forms of contract will be entered into which will meet the point which has been raised, and if the payments come within a properly authorised contract form, I, of course, shall be satisfied.

Mr. *Arthur O'Connor.*

1279. (To Sir *Gerald FitzGerald.*) Who are the printers that the Admiralty had to wait for?—The delay is owing to the objections of the contractors, not the printers.

1280. But you spoke about some printing?—After the contractors have agreed to the conditions which are intended to be inserted in this new form of contract, a supply will be printed and copies sent to the Comptroller and Auditor General.

1281. Are the printers contractors, or are they Admiralty printers?—The delay has nothing to do with the printers.

1281*. Are the Admiralty printers?—No, the Stationery Office undertakes the printing.

Mr. *Alpheus Morton.*

1282. (To Mr. *Ryder.*) May I ask whether you think that consent ought to be given by the Treasury?—I think I should follow the example of the Comptroller and Auditor General, and defer an answer to that question until the explanation given has been considered by the Treasury.

1283. When will the explanations be considered by the Treasury in regard to that?—The explanations may be considered by the Treasury when they come to write their Minute upon the Report of the Committee. I do not know whether the Admiralty intend to write to the Treasury on the subject.

NAVY APPROPRIATION ACCOUNT.

Vote 9.—Advances to Contractors on Guns, &c. —*continued.*

Mr. *Alpheus Morton*—continued.

1284. I understood just now that they did not think it necessary?—In that case the Treasury will have an opportunity of considering the explanation when the evidence is before them and they write their Minute upon the Report of the Committee.

1285. In the meantime, how can we come to any conclusion to-day?—I do not think the Committee can well come to a conclusion as to whether this matter ought to have been submitted to the Treasury or not.

Chairman.

1286. But when will the Committee be in a position to give an opinion, from your point of view, upon that question?—I think they will not be in a position until they know the opinion of the Treasury, and they may not know the opinion of the Treasury until after they report.

1287. When will the opinion of the Treasury be given?—Probably not until after the Committee have reported.

1288. Then does not it run in a circle, then?—I see no harm in the point being left moot in the Report of the Committee; that is very often done. The Committee refer to a point and say, "This is a matter which will have to be considered by the Treasury." They need not themselves express any definite opinion upon it.

1289. But before the end of the Session will not the Treasury be able to give an opinion?—If the Committee wish it, I certainly will take active steps to procure the view of the Treasury upon the point.

Mr. *Alpheus Morton.*

1290. Do not you think the Admiralty ought to have asked the consent of the Treasury to this?—I am not sure that that is so.

Mr. *Hanbury.*

1291. (To Sir *Gerald FitzGerald.*) Will these new contracts be drawn up by the Admiralty?—Yes.

1292. They are out of the hands of the War Office Director of Contracts, are they not?—The case is a very simple one. The Director of Army Contracts, in issuing the form of contract to the contractors, omitted to erase a paragraph requiring a charge for interest. The contractors who had dealt and were dealing with the Government considered that the conditions in this particular contract were the same as they had accepted in previous contracts. The contractor considered in this case that the contract was given him under the old conditions on which all contracts for guns were previously accepted. It is not a question for the Treasury; it is one that regards the Admiralty alone.

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Vote 9.—Advances to Contractors on Guns, &c. —*continued.*

Sir *John Hibbert.*

1293. Would it not be possible, as a means of helping the Treasury and helping this Committee, for you to give some explanation to the Treasury, so that they may be able to give an opinion to this Committee when we meet either this week or the week after?—I have read the only explanation that the Admiralty can give, namely, that the Director of Army Contracts, in issuing this contract, omitted to erase a paragraph in the form.

1294. I am not saying that the explanation is not satisfactory, or that it is insufficient; but would it not be possible for you to give that explanation to the Treasury, so that they may at once deal with the question?—Certainly.

Chairman.

1295. (To Mr. *Ryder.*) We may take it you will endeavour to expedite matters so that the Committee may be able to deal with this paragraph as soon as possible?—I will do the best I can.

Chairman.] Then we will postpone the further consideration of this paragraph until we receive the opinion of the Treasury upon the explanation that has been given.

Paragraph 20 postponed.

Appropriation in Aid realised in Excess of Estimate.

Chairman.

1296. (To Sir *Gerald FitzGerald.*) You will observe, in the last sentence at the bottom of page 156, the Comptroller and Auditor General says that the confusion of charge arose before the Admiralty took over direct responsibility for the administration of the Naval Armaments Vote; and it is reasonable to suppose that with a staff at Woolwich the Admiralty are now in a better position to prevent such mistakes in future; I suppose you accept that conclusion?—Yes; the last clause is concurred in by the Admiralty; such mistakes are not likely to recur under the present arrangements.

Mr. *Mowbray.*

1297. Do I understand that we paid to India 12,500*l.* for two guns, and got two similar ones from India for 10,602*l.*?—I presume so; it is so stated in the paragraph.

1298. What accounts for the difference in price in two similar guns?—Colonel Pease will, no doubt, explain. It is a technical matter which does not come before me.

1299. (To Colonel *Pease.*) Am I right in thinking that the Admiralty paid India 12,500*l.* for two guns, and have received from India 10,302*l.* for two similar guns?—Yes.

Navy Appropriation Account.

Vote 9.—Appropriation in Aid realised in Excess of Estimate—*continued.*

Mr. *Mowbray*—continued.

1300. Would you tell us how it comes about that there is so much difference?—The manufacture of the guns occurred in different years.

Chairman.

1301. Would that fact account for the difference?—Yes; because guns each succeeding year, as a rule, become cheaper. And there is another thing that affects it: the first two guns were supplied by contract; and 12,500*l.* was the contract price.

Mr. *Mowbray.*

1302. It is so stated in the paragraph as the contract price of the guns in March 1890. When were the Woolwich guns taken over by the Admiralty?—They were taken in 1891.

1303. There is a difference of nearly 2,000*l.* in the cost of them?—Yes.

Mr. *Arthur O'Connor.*

1304. (To Colonel *Pease.*) In the valuation return made of the remain of stores how would these guns be put down; would they be entered according to the contract price of the current year, or according to the current price of the year in which they were made?—The valuation return has not been made up to the present time; it is to be made for the year 1893–94; so that question would not arise. The valuation would be made in accordance with the Vocabulary of Stores, which is a medium between the Ordnance Factory and the trade prices.

1305. It is neither one nor the other?—Quite so.

Responsibility for Test and Inspection of Naval Warlike Stores.

Chairman.

1306. (To Sir *Gerald FitzGerald.*) In the last sentence of this paragraph, as regards the test and inspection of certain guns, the Comptroller and Auditor General says that the result of the further consideration of this question has not yet been communicated to his Department; has it been sent to him since the date of his Report?—Since my evidence on this subject was given last year, the Civil Lord of the Admiralty (Mr. Robertson) has become Chairman of the Naval Ordnance Store Committee. One meeting only under his chairmanship has been held, but the deliberations of the Committee are about to be resumed, and this matter is one of the points for consideration.

1307. So that the matter is under consideration?—It is still under consideration.

1308. That consideration may not be completed for some time?—The matter will be dealt with without further delay.

Sir *Arthur Hayter.*

1309. Who inspects and tests the guns now?—The War Office.

1310. Is

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NAVY APPROPRIATION ACCOUNT.

Vote 9.—Responsibility for Test and Inspection of Naval Warlike Stores—*continued.*

Mr. *Alpheus Morton.*

1310. Is the question exactly where it was 12 months ago?—Yes.

1311. What assurance have we that anything will be done in the matter soon?—The Committee is appointed to meet on the 1st of May; but I am not aware whether this particular matter is for consideration on that day; however, it will no doubt be considered at some early meeting of the Committee.

1312. Apparently they only meet once a year?—No, they have met very much oftener; but Sir Ughtred Kay-Shuttleworth was ill last year, and was also very much occupied with the Estimates, and was not able to call a meeting of the Committee. Mr. Robertson, the future Chairman, will, no doubt, call meetings more often. There is a very large question of the transfer from the Army to the Navy of Naval Ordnance Stores at foreign stations under consideration. That is the principal matter for which the Committee has been called together.

1313. Did they only have one meeting last year?—There were two meetings last year.

1314. Have you got anything to do with bringing this matter forward so as to have it settled sooner?—Yes; I am a member of the Committee.

1315. Will you take care that this matter is brought forward before the Committee?—I will see that the matter is brought to the notice of the Committee at the next meeting.

Mr. *Arthur O'Connor.*

1316. Is the work of the Admiralty generally in a chronic state of arrear?—Not at all. I believe it is well up to date.

1317. It seems, to judge by the dates of the letters of the Comptroller and Auditor General, and the replies, that it takes about six weeks for the Admiralty to answer a letter?—That depends upon the nature of the question asked. It may happen that a difficult question is raised by the Comptroller and Auditor General requiring six weeks to answer.

1318. But, as a matter of fact, you say the Admiralty work is not in arrear?—Not at all.

1319. At least not in your Department?—Certainly not.

Mr. *Hanbury.*

1320. When, exactly, did the Admiralty take over direct responsibility for the administration of the Naval Armaments Vote?—On the 1st of October 1891.

1321. That is two years and a half ago; has this question been pending ever since?—No. After the Committee had settled the transfer of Naval Ordnance Stores from the War Office at all the Home Ports, this question arose, and was referred to it last year.

1322. They have not, as a matter of fact, settled the question as to stores abroad, have they?—No, not at foreign stations. It was necessary to obtain detailed information from foreign stations before the question could be considered. Moreover, Mr. Robertson himself visited Malta and Gibraltar last year in reference to the transfer of Naval Ordnance Stores from the Army to the Navy.

1323. Have any steps been taken towards bringing about a test and inspection by the Admiralty yet, or are matters just as they were when the Admiralty look over this Vote?—No. The War Office continues to do the work for the Admiralty.

1324. They may have done their work as to the stores very well; but in 1891 the principle was established, as I understood, of the Admiralty being responsible for its own armaments?—Not for inspection and proof. The evidence in previous years shows that the Admiralty does not recognise the necessity for taking over this inspection, which would throw a very large increase of expense upon Naval Votes; in fact a duplication of inspection services. But the matter was referred, at the request of this Committee, to the Committee presided over by Mr. Robertson.

1325. There are, I gather, other questions still open on this Naval Armaments Vote with regard to the complete taking over by the Admiralty of the Vote; for instance, there is the question of Stores abroad?—That is the principal question now before the Committee.

1326. There is the test and inspection of warlike stores; is there anything else?—Nothing else that I know of.

[Colonel *Pease* withdrew.

WAR OFFICE CLAIM IN RESPECT OF PRODUCTIONS AT THE ORDNANCE FACTORIES, WOOLWICH.

Chairman.

1327. (To Sir *Gerald FitzGerald.*) At the end of this paragraph the Comptroller and Auditor General notes the necessity for a closer examination of the details of the Production Voucher, and concludes by saying that errors are admitted to having been made involving both undercharges and overcharges to the Navy; have you any remarks to make upon that point?—The Storekeeper General of Naval Ordnance has undertaken to institute a check on the Accounts commencing with the year 1893-94, which will enable a certificate to be furnished to the effect that the Naval Ordnance Stores appearing in the Ordnance Factories Production Voucher as manufactured have been brought on Naval Ledger charge during the financial year. The arrangements made by the Storekeeper General only enabled a partial check to be applied in regard to the Accounts for 1892-93, and

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Vote 9.—War Office Claim in respect of Productions, &c.—*continued.*

Chairman—continued.

and consequently a complete certificate of Store charge for productions in that year could not be furnished.

1328. Then the outcome is that a recurrence of this error will be prevented?—Yes; and a reply to the Comptroller and Auditor General was sent in those terms on the 19th February last.

1329. (To Sir *C. L. Ryan.*) After what Sir Gerald FitzGerald has stated, are you satisfied, or have you any remarks to make?—The proposed arrangement seems to me to be satisfactory for the future.

Mr. *Arthur O'Connor.*

1330. (To Sir *Gerald FitzGerald.*) Are all articles actually delivered before they are taken on Naval Ledger charge?—Yes.

1331. In what does delivery consist?—In having the stores in possession of our officers.

1332. Does it mean actual transportation, or does it mean numbering, or painting, or does it mean appropriation by any other means, or is it merely a clerical entry in the books?—No; it means actual delivery into Naval premises.

1333. Are the receipts given by the Admiralty officers?—Yes, by officers of the Naval Ordnance Department.

Mr. *Alpheus Morton.*

1334. (To Sir *C. L. Ryan.*) I suppose all the savings on Vote 9, on Normal Services, to the amount of 131,000*l.* would go into the common fund for the use of the Naval Defence Act, so far as can be?—I do not think I can answer hypothetical questions of that sort with any advantage. It is not a question of any actual transfer at the present moment, because on Vote 8 there is quite money enough for the purposes of making the necessary payments to the Naval Defence Act Account.

1335. Do I understand that the Naval Defence money is enough without the use of savings?—No; but the money upon Vote 8 is quite sufficient to pay over any savings that it is necessary to pay over to the Naval Defence Account.

On Vote 10.

Works.

Steam Launch purchased for Works Department.

Major H. Pilkington, R.E., called in; and Examined.

Chairman.

1336. (To Mr. *Ryder.*) In regard to the purchase of a steam launch for dredging purposes, the Comptroller and Auditor says that under present information he is unable to accept the Admiralty view either as to classification or authority, and he goes on to say that he has referred the matter to the Treasury in order that he may learn their Lordships' views with regard to the transaction; have their Lordships' views been communicated to him since this Report?—The Treasury has given covering sanction to the purchase of the steam launch, and has communicated its sanction to the Audit Office.

1337. (To Sir *C. L. Ryan.*) After receiving the Treasury letter are you satisfied, or have you any further objection?—No; the Treasury's sanction is sufficient to clear the transaction.

1338. Having received that Treasury sanction, do you still persist in your objection as to the Admiralty view in respect of classification and authority?—I have not altered my view as to classification; and I may add that the Treasury themselves, in giving their sanction, say that they think the purchase should have been submitted for the previous sanction of the Treasury before it was effected.

1339. Do I understand that your objection with respect to classification and authority is now removed by the Treasury's sanction?—With respect to authority it is.

1340. But with regard to classification you still maintain your own view?—My view upon the classification is still as I expressed it in the Report. The question of classification, of course, is really a minor question as between two Sub-Heads of the Vote, but the amount still remains wrongly classified in my opinion.

1341. If the authority is sufficient you think your objection with regard to the classification may be waived?—Yes, I think so; because it is only a minor objection.

Sir *Arthur Hayter.*

1342. (To Sir *Gerald FitzGerald.*) Do you concur in the view that it should have been placed under another Sub-Head of its own?—The Admiralty considered that the classification was correct, and that the Sub-Head covered the cost of dredging in connection with which the launch was used; but it was thought right to ask the Treasury consent, and we did so, and their answer has been referred to the Comptroller an Auditor General.

1343. (To

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Sir G. FitzGerald, K.C.M.G., and Major Pilkington, R.E. [*Continued.*

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Vote 10.—Steam Launch purchased for Works Department—*continued.*

Mr. *Webb.*

1343. (To Sir *C. L. Ryan.*) Of course the Treasury sanction in this instance would not prevent your remarking upon a similar mistake if it occurred again on future occasions?—Every payment, of course, is considered upon its own merits.

1344. Supposing this arose again next year, the Treasury sanction in this case would not prevent your remarking upon it again?—I should remark upon anything next year that seemed to me irregular.

Mr. *Alpheus Morton.*

1345. I understand you are not satisfied now as to the classification?—The classification is merely a question between two items. I do not think it is a matter to press. The main point was the question of the Treasury sanction.

1346. Do I understand that you might complain next year if they did not alter the classification?—This item would not be disturbed.

1347. But I mean a similar item?—It is open to me to report next year any mis-classification that I discover, or any classification that I am not satisfied with.

1348. If you are satisfied that this classification is not right, it ought not to occur again, ought it?—The question of classification, of course, is a question to a certain extent of opinion, and it is not one which I think desirable to press beyond a certain point. I think, practically, it is not a sufficiently important point, as between two Sub-Heads of the Vote, to press further.

1349. (To Major *Pilkington.*) May I ask what this steam launch was to be used for?—It was to be used in connection with dredging, sounding, laying out anchorages, and so on.

1350. Was it used by the workmen?—Yes, and the officers in charge of them. The officers would probably do the sounding.

1351. Was it impossible to ask for this in the Estimates?—We do not, as a rule, ask specially for any dredging plant, except dredgers, which cost from 20,000*l.* upwards. Dredgers are looked upon as special plant, and they are specially mentioned in the Estimates; but all minor plant like boats, anchors, chains, steam launches, or anything like that, is considered to be covered by the general Vote.

1352. Would it not be advisable, in the case of a steam launch, that it should be put in the Estimates?—In the "Repairs and Maintenance" item we are constantly buying all sorts of articles, engines, wheelbarrows, and so on. We should not put down any special limit for special plant except for dredgers.

1353. Bearing in mind that there have been complaints in the House of Commons as to the use of these launches, do you not think it is

Navy Appropriation Account.

Vote 10.—Steam Launch purchased for Works Department—*continued.*

Mr. *Alpheus Morton*—continued.

advisable to ask for the consent, by putting them in the Estimates?—Yes.

1354. You are aware, probably, that there have been complaints of these dredgers having been used by officers not for working purposes; have you heard of that?—Yes.

1355. That being so, do you not consider that it would be advisable to put it into the Estimates?—I think it would.

Mr. *Arthur O'Connor.*

1356. Would you tell me why you did not think it necessary to ask for Treasury sanction with regard to this particular steam launch, and yet you did with regard to the steam launch at Devonport, mentioned on page 134?—The case at Devonport was different in two respects. In the first place we had no steam launch at Devonport at all, and, as it was the first steam launch we had there for the Works Department, and buying a steam launch was rather a new departure, the matter was placed before the Treasury. The other difference was that at Devonport we had no money available. We had a saving on the aggregate Vote, but we had to get Treasury sanction to spend it.

1357. In the Portsmouth case, having the money available, you spent it without Treasury sanction, though it was not mentioned in the Estimates?—It was not presented in the Estimates; it was considered that the Vote of 12,000*l.* covered this sort of article.

Mr. *Alpheus Morton.*

1358. (To Sir *Gerald FitzGerald.*) In future will you take care that this sort of charge is put in the Estimates?—I cannot answer that offhand; each case is treated on its merits. (Major *Pilkington.*) May I add that the general view of putting these big dredgers into the Estimates was, that they were specially costly plant, and that special attention should be called to them. Of course a steam launch might be included in the same way.

1359. In this case it appears you purchased the steam launch out of savings?—Not out of savings.

1360. You purchased it without asking the Treasury consent, it not having been mentioned anywhere in the Estimates?—Yes; it was considered that the 12,000*l.* granted for dredging included all ordinary plant required for dredging except the dredgers themselves, which cost a large amount; and we accordingly buy plant as required without going to the Treasury.

1361. May we take it that this sort of item will be put into the Estimate in future; you can do that, can you not?—Yes, I think so; I will make a note of the evidence that has been under remark, and there would be no difficulty, I presume, in bringing it to notice.

Navy Appropriation Account.

Vote 10—*continued.*

Transfer of Stores, &c., from "Extension of the Yard" at Portsmouth to "Completing Docks."

Chairman.

1362. (To Sir *Gerald FitzGerald.*) At the end of paragraph 25, upon the question of the transfer of stores, the Comptroller and Auditor General says that he has asked the Admiralty for explanations with regard to the financial adjustment in 1892–93; has that explanation been given since?—Yes; explanations were given on the 24th January 1894; but Major Pilkington will explain the matter to the Committee.

1363. (To Major *Pilkington.*) Will you state quite briefly what the explanation is?—The way the question arose was this: the stores were transferred in 1892–93 for the purpose of building the two new docks referred to in the paragraph. We intended to have had the contract out, and to have commenced the work during the financial year, but certain arrangements were made by the Admiralty for these new long cruisers, and after a good deal of discussion on the point, it was settled eventually that we should make the docks 50 feet longer. That threw out our arrangements, and we had to re-design the docks; and consequently the contract was postponed till 1893–94; but the stores that were transferred in 1892–93 were not transferred back again in the same year. That, I think, is the exception that had been taken by the Comptroller and Auditor General.

1364. (To Sir *C. L. Ryan.*) Does what Major Pilkington has said satisfy you on the point?—So far as I understand the Admiralty correspondence, the objection which we took is not disputed, namely, that there was no real transaction, and that consequently this transfer between the two items should not have been made in the year 1892–93. It does not become a serious question, because it is not a transfer between Votes, but it is merely a transfer between the items shown on page 78. It ought not, however, to have been made, because it is not an actual transaction; it is merely a book transaction. These stores were not sold in 1892 93, and consequently the transaction should not have been recorded in the Accounts of that year at all.

Mr. *Arthur O'Connor.*

1365. If the stores had been sold in that year I suppose you would have had a corresponding credit or appropriation?—I think that as Vote 10 is now taken that would be so; but I think it is a question whether a system which gives a fictitious appearance to expenditure, namely, the payment for stores purchased in previous years, is a good system. That question is under consideration, and I think it is very likely that the way in which the Estimate for Vote 10 is taken may be more or less changed in future.

1366. As a matter of fact there was no credit here?—As a matter of fact there was no transaction.

Navy Appropriation Account.

Vote 10—*continued.*

Inclusion of Dredging Plant under "Extension of the Yard."

Chairman.

1367. (To Sir *C. L. Ryan.*) In the middle of paragraph 26 of your Report, in regard to the expenditure under the "Extension" item, and this plant for dredging, you remark that the Admiralty inform you, in reply to your inquiry, that the "circumstances are peculiar," and then you refer to their explanation. May I ask whether, on the whole, you are satisfied with the explanation, having regard to the peculiarity of the circumstances?—The inclusion of this expenditure on dredgers under two separate items was a case which I thought it right to draw attention to; but I do not want to go further than what is expressed in the Report.

Surplus on Works Vote, and Explanations of Causes of Variation between Expenditure and Grant.

Chairman.

1368. (To Sir *Gerald FitzGerald.*) In the last sentence of paragraph 27 the Comptroller and Auditor General says he has instanced certain of the larger cases of surpluses on this Vote, and asked the Admiralty whether fuller explanations, than those he has quoted, are not possible, but as yet he had received no reply; perhaps that reply has since been given?—Yes; we furnished a reply to the Comptroller and Auditor General on the 4th April, and gave him further explanations on the items referred to in the last clause of that paragraph.

1369. (To Sir *C. L. Ryan.*) After hearing what Sir Gerald FitzGerald says, have you anything further to remark?—I think the explanations should have been given before, but they have been now given, and are satisfactory.

Sir *Arthur Hayter.*

1370. (To Sir *Gerald FitzGerald.*) Would it be possible to bring the Estimate of the expenture nearer on this Vote another time?—May I point out to the honourable Member that that matter was explained at the last meeting of the Committee, under paragraph 6.

Mr. *Alpheus Morton.*

1371. (To Sir *C. L. Ryan.*) Have you had those explanations in writing now?—Yes, I have now.

1372. They are not printed in these accounts?—They could not be, because they were not received until the 4th of this month.

1373. (To Sir *Gerald FitzGerald.*) Have you read the explanations to us; have you got them here?—Yes, I have them before me.

[Major *Pilkington* withdrew.

1374. (To

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

Navy Appropriation Account.

On Vote 11.

Miscellaneous Effective Services.

Sub-Head Z.—Miscellaneous Payments and Allowances.

Mr. *Alpheus Morton.*

1374. (To Sir *Gerald FitzGerald.*) Turning to page 97, under Sub-Head Z., as regards the amount of 1,239*l.* 11*s.* 4*d.*, described as "Expenses incurred on account of Her Majesty and the Royal Household;" have you got any more detailed account than that of what the money is spent for?—I have not with me any detailed account. The expenditure is for sea transport in the United Kingdom.

1375. Could you put in a more detailed account of this expenditure?—Certainly, if the Committee wish it; it is not usually done.

1376. There is no objection to it, is there?—I should think not, if the Committee wish it.

Chairman.] It will be for the Committee to consider whether further detail is required.

Mr. *Alpheus Morton.*

1377. With regard to Item 7 of this detailed statement on page 97, I want to get some further account of how that money is spent?—That sum of 2,422*l.* consists of, probably, 200 or 300 items, of which it would be impossible to give details without a very great amount of trouble.

1378. Take the first item, "Expenses of Ceremonies attendant on the Launching of Her Majesty's Ships;" could not that be given in fuller detail?—It represents trifling expenses incurred in launching ships, for erecting platforms, and petty expenditure of that kind. Of course I can furnish any details the Committee wish, but it would give us an enormous amount of trouble to be obliged to refer to these vouchers now, and to give the details of them.

1379. Do you remember that in the year before the details were given more fully and it covered some dinners?—I do not remember that.

1380. You do not remember that I made a complaint about it in the House of Commons?—No, I do not.

1381. I should like, with regard to that oue item, at all events (I do not care so much about the others), for some further detail to be given; could it be given with regard to that one item?—Yes, certainly. I could furnish details of it; but it is really a very small sum.

Chairman.

1382. It would require a direction from this Committee?—Yes.

1383. If the Committee do not see any objection to further details being given as

Navy Appropriation Account.

Vote 11.—Miscellaneous Payments and Allowances—*continued.*

Mr. *Alpheus Morton.*

regards the two matters I have mentioned, you could obtain further details?—Yes.

1384. What is the meaning of Item 6, "Freight of Specie"?—That is for sending money to our paymasters on foreign stations.

1385. It has nothing to do with bringing money from some foreign country, such as we had a case of a little while ago, has it?—No.

On Vote 12.

Admiralty Office.

Sub-Head E.—Travelling Expenses.

Mr. *Alpheus Morton.*

1386. (To Sir *Gerald FitzGerald.*) On Sub-Head E., "Travelling Expenses, &c.," there is a deficit of 1,639*l.* 19*s.* 11*d.*, and the explanation given is that it is for "increased requirements for travelling for inspection of work;" is not that a very large increase on a grant of 6,500*l.*?—No; I do not consider it is a very large increase, bearing in mind the immense amount of shipbuilding in progress in the year, and the necessity of sending inspectors constantly from the Admiralty to the Dockyards and to private shipbuilding yards.

1387. Is it not 25 per cent. above your estimate?—Yes; but expenditure for travelling and such charges may be expected to vary considerably from the amount provided.

1388. You think it is not unusual for an estimate to be increased or diminished to this extent; it might be diminished, I suppose?—It might be diminished, and possibly it has been in previous years.

On Vote 13.

Half Pay, Reserved and Retired Pay.

Mr. *Alpheus Morton.*

1389. (To Sir *Gerald FitzGerald.*) There is a very large deficit on this Vote on Item B.; can you give any further explanation than that given on page 47?—I can only add that we deducted 7,000*l.* for Reserved and Retired Pay, and that that proved to be too large a reduction for deaths or other casualties.

1390. The recipients of the money did not die so fast as you estimated?—That is so.

On Votes 14, 15, and 16.

No questions.

Navy Appropriation Account.

Outstanding Claims.

Chairman.

1391. (To Sir *Gerald FitzGerald.*) In the last sentence of paragraph 28 there is mention made of a certain claim of 7,800*l.* raised by the Admiralty upon the Board of Trade in regard to rents due from the Mercantile Marine Fund; the Comptroller and Auditor General remarks that the question of the settlement of this claim rests with the Treasury, before whom it appears to have been for some time; can you give any explanation as to that?—Yes; this matter was brought to the notice of the Treasury in August 1890. In former years there was a misapprehension in the Department as to the intention of the Treasury Minute of February 1860, which lays down that no rent shall be chargeable to any Department occupying, either temporarily or permanently, buildings or offices the property of another Department, provided both Departments are charged on the Votes of Parliament. The Treasury hold that the Admiralty has a legitimate claim for this rent against the Mercantile Marine Fund, which is a non-voted service; but, from a letter received from that Department dated the 20th instant, it does not appear that the Admiralty can hope to obtain payment.

Mr. *Hanbury.*

1392. (To Mr. *Ryder.*) Will you explain why they cannot hope to obtain payment from that fund?—The Mercantile Marine Fund is assisted every year by a very large grant from Parliament; it therefore may be regarded as insolvent. The amount of the Grant in Aid is open to revision from time to time. Whenever the grant is revised it will be necessary to take into account this claim of the Admiralty and all other claims by Government Departments, and to set against them any services rendered by the Board of Trade to the Government. Therefore in one sense, the Admiralty claim will be satisfied whenever the Grant in Aid is revised, because due allowance will be made for it.

Chairman.

1393. (To Sir *C. L. Ryan.*) After hearing what Sir Gerald FitzGerald and Mr. Ryder have said, are you satisfied upon this point?—I am satisfied now.

1394. You have no further objection to make?—I have no further objection to make to its remaining as an outstanding claim.

Mr. *Hanbury.*

1395. (To Mr. *Ryder.*) You say that payment of the claim is not to be expected at present, because the Mercantile Marine Fund is practically insolvent. I know they were in a bad state some five or six years ago, but I thought they were now in funds?—It is quite true they are in a better financial position than they were some years ago; but the time for revising the Grant in Aid has not arrived, in the opinion of Her Majesty's Government.

Navy Appropriation Account.

Outstanding Claims—*continued.*

Mr. *Hanbury*—continued.

1396. Is this going to be treated as wiped off, or how will it be treated?—A debtor and creditor account is kept with the Fund.

Sir *Arthur Hayter.*

1397. (To Sir *Gerald FitzGerald.*) Can you tell us anything about the claim referred to in the earlier part of this paragraph, for 1,112*l.* against the Turkish Government; do they deny the claim, or do they merely postpone it?—The last application to the Turkish Government through the Foreign Office was made on the 8th December 1893. The Ottoman Ambassador replied, on the 13th December 1893, that he had again brought the matter under the notice of his Government.

1398. They do not repudiate it?—No, they do not repudiate it.

Mr. *Alpheus Morton.*

1399. The claim against the Turkish Government dates from December 1891, as stated in the Report; were they asked for it before the date you mention?—Yes, several times.

1400. They do not in any way dispute it, then?—No.

1401. But they do not pay?—Payment is only deferred.

1402. (To Mr. *Ryder.*) Do we get the Accounts of the Mercantile Marine Fund?—They are presented to Parliament every year.

1403. So that we can judge whether they are insolvent or not?—Yes.

Mr. *Arthur O'Connor.*

1404. (To Sir *Gerald FitzGerald.*) Does the Admiralty find the Turkish Government rather slow in conducting correspondence?—We have had no communication with the Turkish Government directly; we apply through the Foreign Office.

New Sub-Heads.

Chairman.

1405. (To Sir *Gerald FitzGerald.*) In the last sentence of paragraph 29, after commenting upon the local administration of the Nyassa district, and so forth, the Comptroller and Auditor General concludes by quoting the dictum of the Treasury, that if the crews of the vessels engaged in that district are withdrawn on the 31st July 1894, and the vessels are to cease to be part of the Royal Navy, either the ships must be sold or Parliament must be asked to provide some different means of maintaining them. Has that decision of the Treasury been acted upon by the Admiralty?—I do not think it likely that those vessels will either be sold or disposed of; they have been recommissioned only a short time ago, and it is presumed there is no intention of withdrawing them.

1406. (To Mr. *Ryder.*) Have you any remark to make upon this point?—I do not think I can add

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Navy Appropriation Account.

New Sub-Heads—*continued.*

Chairman—continued.

add anything to what is said in the Treasury letter on page 149 of the Appropriation Account, in the paragraph there headed, "Nyassa and Shiré Steamers."

1407. I gather the ships are not to be sold; if so, is it the view of the Treasury, that Parliament must be asked to provide some different means of maintaining them; is that the view of the Treasury?—If the Admiralty refuse to continue to man the ships, then some other arrangement must be made for maintaining them.

1408. As regards this dictum of the Treasury quoted in this paragraph, that "Parliament be asked to provide some different means of maintaining them," does the Treasury maintain that view?—That is only if the crews of the ships are withdrawn. If the Admiralty refuse to continue to regard the ships as part of the Royal Navy, then Parliament will have to be asked what provision should be made for them.

1409. (To Sir *Gerald FitzGerald.*) Do you know what the Admiralty view will be upon that?—The Admiralty have protested on several occasions against the expenditure being provided in the Navy Estimates; but having been directed by the Treasury to provide for it, we must continue to do so.

1410. (To Mr. *Ryder.*) Then I understand there will be no further question about Parliament being asked to make provision for maintaining these ships?—Not if the Admiralty continue to keep the vessels.

Sir *John Hibbert.*

1411. (To Sir *Gerald FitzGerald.*) Is it not correct to say that the Admiralty undertook in the first instance the care of these vessels without any direction from the Treasury?—In 1892 the Admiralty protested against this being a charge upon Navy Estimates, and the Treasury distinctly say, in their letter of 30th December 1893, "the expenditure on these steamers is shown under a special Sub-Head in Vote 11, as approved by my Lords on 31st May last. As they were built and sent out by order of the Admiralty, and are navigated by officers of the Royal Navy under like orders, my Lords think it right that Navy Votes should bear the charge of these vessels."

1412. That letter is written in December 1893; my question had reference to a year or two before that, when these boats were first taken out?—On that point I may read the Minute of the Board of Admiralty, which is published in the Comptroller and Auditor General's Report on page 141. This is an extract from the Board Minutes of Wednesday, the 6th of July 1892: "The Board discussed and considered the request from the Foreign Office that a small paddle steamer should be ordered to assist in the transport of the two boatsordered for Lake Nyassa, and for service in the Upper Shiré. Under the circumstances stated the Board assented to this

Navy Appropriation Account.

New Sub-Heads—*continued.*

Sir *John Hibbert*—continued.

expenditure as an exceptional measure, but in assenting to it place on record their strong opinion that the cost of providing vessels for inland service in Africa ought not to be defrayed from Navy Votes, this service being, in their opinion, entirely distinct from, and outside, the ordinary legitimate purposes for which the Naval Funds are voted.

1413. That Memorandum shows, does it not, that the Admiralty did accept it in the first instance, but they made a protest?—Yes; they accepted it because they were directed to do so.

1414. Not by the Treasury?—Practically, I presume, by the Cabinet.

Chairman.

1415. (To Sir *C. L. Ryan.*) As long as the Navy continue to provide crews for these vessels no account question will arise with you, I understand?—No account question has arisen. I have admitted the charges against the Navy Votes as being legitimate charges, and the only action I took was to suggest that a separate Sub-Head should be raised for the purpose of the matter being brought before Parliament.

Mr. *Alpheus Morton.*

1416. (To Sir *Gerald FitzGerald.*) So far as we know, Parliament never consented to this transaction at all, did it?—It is now provided for in the Navy Estimates.

1417. Is the charge for these three vessels provided there?—Yes, the charge for maintenance.

1418. What Sub-Heads mention anything at all about these three vessels?—No provision was made in the year 1892–93.

1419. Nor in any year, I suppose?—The cost of maintenance is provided in the Estimates.

1420. Is anything at all said in the Navy Estimates about the three vessels?—Not specially.

Chairman.

1421. At page 44, Sub-Head W., of the Vote, is "Cost of three Vessels for service on Lake Nyassa and the Shiré River, including Freight, Armament, &c."?—Yes, that is in the Appropriation Account.

Mr. *Alpheus Morton.*

1422. (To Sir *C. L. Ryan.*) But there is no Grant made by Parliament at all; it states distinctly on page 44 that there was no Grant made; that is so, is it not?—Yes. (Sir *Gerald FitzGerald.*) That is for the year 1892–93.

1423. Therefore Parliament has never consented to this at all, has it; it has never been asked, in fact?—I am not aware.

1424. What are the vessels used for?—For the Shiré River.

1425. What have they to do; I understand you to say it is not for a naval purpose?—It is for police purposes on the Shiré River.

Navy Appropriation Account.

New Sub-Heads—*continued.*

Mr. *Alpheus Morton*—continued.

1426. It is not in your opinion, I understand, part of the duty of the Navy?—That is the opinion of the Board of Admiralty.

1427. Would there not have been time to have asked Parliament to make provision for this sort of thing?—Evidently not at the time those vessels were ordered. They were ordered to carry out the views of the Cabinet at the time.

1428. Have the Treasury given their consent?—Yes.

1429. I do not see it set out in any letter?—It is mentioned in several letters from the Treasury.

1430. I see it referred to in the letter on page 149, to which you alluded?—Yes.

Chairman.

1431. (To Mr. *Ryder.*) The Treasury has sanctioned this, have they not?—The Treasury gave their covering sanction, but under protest, in their letter of the 22nd of July 1892, printed on page 141.

Mr. *Alpheus Morton.*

1432. (To Sir *Gerald FitzGerald.*) That letter says, "If this is not an ordinary naval service it would have been necessary and proper to have submitted the first expenditure in respect of this service to the House of Commons, so that the sanction of Parliament might have been obtained for an entirely new service, or for the expenditure involved in a new policy." You say distinctly that in your opinion this is not a naval service?—That is so.

1433. And that it is a new service?—Yes.

1434. (To Mr. *Ryder.*) The Treasury say that if it was not an ordinary naval service Parliamentary sanction ought to have been got?—Yes.

1435. (To Sir *Gerald FitzGerald.*) What has happened this year; is this in the present Estimates?—There is provision for the wages and for the maintenance of the crews of the vessels.

1436. Do you know how it arose that these vessels were wanted at all?—No.

1437. (To Mr. *Ryder.*) Can you tell us?—I believe they were required for the protection of the British community on the borders of the lake.

1438. Has any report whatever been given to Parliament upon the matter?—Besides the Report of the Comptroller and Auditor General, I believe some correspondence has been presented to Parliament, but I should not like to speak positively upon the point, although that is my strong impression.

Mr. *Bartley.*

1439. (To Sir *Gerald FitzGerald.*) Waiving the question of policy, the Admiralty is the only body that could have looked after these ships, I take it?—That is so.

1440. Therefore, the arrangement necessarily was to go to the Admiralty to carry it out?—Yes.

Navy Appropriation Account.

New Sub-Heads—*continued.*

Mr. *Hanbury.*

1441. These vessels act as water police, practically, do they not?—Yes.

1442. Do you know who pays for the land police?—No, I do not.

1443. Are you aware that the British South African Company pays for it?—I do not know.

1444. Do you know whether any negotiations have taken place between the Admiralty and the British South African Company upon this point?—No, I am not aware.

Mr. *Arthur O'Connor.*

1445. You would know, I presume, if there had been any negotiations?—I should if it involved expenditure upon the part of the Admiralty.

1446. Or if it involved receipt on their part, I presume?—Yes.

Mr. *Hanbury.*

1447. The Comptroller and Auditor General says that so far as he is aware the proposal of the Admiralty that the men should be withdrawn on the 31st July 1894, and be replaced by others under the local administration of the Nyassa district, has not been finally dealt with; that is so, is it not?—Yes.

1448. But I understand you have now recommissioned those vessels?—Yes.

1449. Have they been recommissioned for any definite time?—I am not aware, but I should think the commission would be for a much shorter period than usual.

1450. Nothing has been definitely fixed about that?—I cannot say; it is an executive question.

1451. Is there any precedent for employing men and ships belonging to the Navy on inland waters?—No, I think not.

1452. I suppose there are not many men employed on these ships, are there?—I have not the particulars of the complement; they are small vessels.

1453. Do you know the cost for maintaining the men?—Yes, the total for the three vessels.

1454. Including the maintaining the men?—Yes.

1455. How much is that?—About 7,000*l.* per annum.

1456. This 13,000*l.* was the cost of the vessels, I understand?—Yes, that was the first cost of the vessels.

1457. And they cost 7,000*l.* a year to keep up?—Yes.

Mr. *Alpheus Morton.*

1458. That 13,000*l.* is the actual cost of the vessels?—Yes.

1459. So that to get the total for last year you must add the 7,000*l.* to the 13,000*l.*?—No; the 13,000*l.* was paid in the first instance, and the 7,000*l.* is the subsequent yearly charge.

1460. It would be the same year, would it not?—It may not have been in the same financial year.

1461. Are these ships employed for the protection

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Navy Appropriation Account.

New Sub-Heads—*continued.*

Mr. *Alpheus Morton*—continued.

tection of the property of the British South African Company?—I am not aware.

1462. Can you tell me how much of this is down on the Estimates of this year?—About 7,000*l.*

1463. Is that a separate item?—No; it is provided in the relative Naval Votes.

1464. Then there is nothing in the Estimates to show that it is for these vessels at all; is that so?—That is so.

Mr. *Hanbury.*

1465. Is it not treated as a separate Sub-Head?—Only the purchase of the vessels was so treated, not the maintenance, which falls under the usual heads for the maintenance of ships of the Navy.

Mr. *Alpheus Morton.*

1466. (To Sir *C. L. Ryan.*) Then your criticism will continue, as I understand, as to the advisability as to its being under a separate Sub-Head?—Not as regards maintenance, if provided for in the ordinary Navy Estimates. The reason I thought the purchase of the vessels ought to be shown in a separate Sub-Head was, because no provision had been made.

Delay on the part of the Admiralty in Reply to Communications.

Chairman.

1467. (To Sir *Gerald FitzGerald.*) In paragraph 32 the Comptroller and Auditor General points out that various points of importance remain incompletely dealt with, owing to delay on the part of the Admiralty in replying to communications from the Department; would it be more convenient to postpone this point till we come to the Store Accounts, or can you deal with it now?—I am prepared to deal with it now so far as the Appropriation Account is concerned. All the queries or letters from the Comptroller and Auditor General referred to in the several paragraphs of his Report have been answered, with two exceptions, viz., that referred to in paragraph 17, which forms a subject of correspondence with the Treasury, and in paragraph 20, which awaits a copy of the revised form of contract for guns. Five of these queries were dated in January last, the month in which the Comptroller and Auditor General's Report was written.

1468. (To Sir *C. L. Ryan.*) Have you anything to say upon that statement?—I think the letters might be answered more quickly. The Committee will easily understand that it would save both the Committee and myself very considerable difficulties if I had the answers before the paragraphs of the Report were written. (Sir *Gerald FitzGerald.*) I have before me the dates on which the letters came to us, and the dates upon which they were answered. It would have been

Navy Appropriation Account.

Delay on the part of the Admiralty in Reply to Communications.—*continued.*

Chairman—continued.

hardly possible, in five cases at least, to have answered them in time for the replies to have been printed in this Report. Five of the queries were dated in January, and the Comptroller and Auditor General's Report is dated the 31st of that month.

Mr. *Hanbury.*

1469. (To Sir *C. L. Ryan.*) Is the Admiralty worse than other Departments in this respect, or have you the same complaint against them all?—I think the Admiralty are rather more dilatory in answering letters than most Departments; that is my experience. (Sir *Gerald FitzGerald.*) To that I may add that letters from the Comptroller and Auditor General to my Department often relate to technical matters, and cannot be answered so quickly as questions connected with finance or with accounts. They raise serious and difficult questions which have to be dealt with in communication with the Dockyards, and the information to enable me to reply to them cannot be obtained as quickly as in the case of matters which merely deal with accounts.

Mr. *Arthur O'Connor.*

1470. Do you find the Treasury, for instance, take as long to answer an Admiralty letter as the Admiralty do to answer a Treasury letter?—I should say so in some cases, where we consult them on difficult questions; and as most of the Comptroller and Auditor General's letters raise difficult questions, some considerable time is required to answer them.

1471. Has your attention been drawn to this sentence in the Treasury letter on page 141: "It is hardly necessary for their Lordships to state that had your Department sought this sanction, representing the extreme urgency of the case, the matter would have been considered by this Board and an answer returned, say, within 24 hours;" in all your experience did you ever know the Treasury send the Admiralty an answer in that time?—I do not think I should be justified in answering that question offhand.

Mr. *Bartley.*

1472. Is it the fact that there is a complaint that you do not answer letters, and yet those letters only came a few days before the complaint was made?—Some of the queries were raised in the month in which the Report was signed; one letter was dated the 8th January, another the 9th January, another the same date, another on the 24th January, and another on the 3rd January.

1473. What was the date of the Report?—The 31st January.

1474. Then we understand that the complaint of the Comptroller and Auditor General is that letters are not answered though they were only

NAVY APPROPRIATION ACCOUNT.

Delay on the part of the Admiralty in Reply to Communications—*continued.*

Mr. *Bartley*—continued.

sent a few days before his Report was issued?—A comparatively short time before his Report was issued.

1475. Is there any reason why these questions should not have been asked sooner?—Not that I am aware of.

1476. Could not they have been asked any time months before?—It depends upon whether the Comptroller and Auditor General's officers have taken up the particular accounts on which he raised his queries. (Sir *C. L. Ryan.*) I think I ought to explain as to that, that the account is only delivered on the 31st December, and these questions arise with the account, and therefore the questions could not be asked in many of these cases. Therefore there is only a month in which I have the full account before me in which these questions can be asked.

1477. Is it not a little unreasonable to complain of the Admiralty for not answeriug those questions?—I do not think so. Some of these questions may have been asked at rather short notice; but those are not the only ones to which the remarks in the paragraph refer. (Sir *Gerald FitzGerald.*) Three letters bear the dates of 6th, 22nd, and 2nd December. Only one is dated in November. A month or six weeks is not an unreasonable time in which to answer these letters. I do not think there is much to complain of.

Mr. *Hanbury.*

1478. As I understand, some of these letters were not answered for nearly two months, the letter on page 164, for instance?—I do not say they are answered immediately, because technical questions require a great deal of consideration. They have to pass through other hands than mine before an answer can be sent to the Comptroller and Auditor General.

1479. Is it necessary for them to go through so many hands?—Yes, I have already explained why.

1480. I have heard of a case of a letter as to

NAVY APPROPRIATION ACCOUNT.

Delay on the part of the Admiralty in Reply to Communciations—*continued.*

Mr. *Hanbury*—continued.

Marines' jackets going through 40 hands before it could be dealt with. What do you say to that?—I cannot answer as to that particular case. The Audit Office letters come to me and I have to refer them to the particular officer concerned, the Director of Victualling, or whoever they may relate to. Inquiries at the Dockyard or the Victualling Yard have to be made, and in many cases references have to be sent to foreign stations before an answer can be sent.

Chairman.

1481. Could you convey to the Admiralty the result of what has been said on this point in this Committee to-day; it would save a great deal of time to this Committee if the answers could be sent in in time?—Certainly.

Mr. *Alpheus Morton.*

1482. Is this Appropriation Account printed immediately after the 31st January?—Yes, I should think so.

1482*. Do you not think it would be advisable for you to try and arrange to give these answers as soon as possible, so as to get them printed with the Account?—We do so whenever we can.

1483. Cannot you make another effort, considering what has been said?—We shall continue to use every effort.

1484. You see the difficulties we are in in not having the answers before us?—Yes.

Mr. *Hanbury.*

1485. (To Sir *C. L. Ryan.*) Seeing that you know that a certain number of letters are outstanding and have not been answered, would it be possible, say, a month or six weeks before the issue of your Report, to draw the attention of the Departments to the fact that there are letter sun-answered, so as to give them an opportunity of sending in replies before your Report is issued?—That is our practice.

NAVAL DEFENCE ACT, 1889.

Mr. Edward W. Hamilton, C.B., called in; and Examined.

ARMAMENTS OF DOCKYARD VESSELS.

Mr. *Alpheus Morton.*

1486. (To Sir *Gerald FitzGerald.*) What is the explanation of the fact that the Estimate was 600,000*l.*, but there was 650,874*l.* 16*s.* 6*d.* spent?—That has been already explained in one of the

Mr. *Alpheus Morton*—continued.

paragraphs of the Navy Appropriation Account; it results from the maturing in 1892–93 of orders placed in prior years.

1487. (To

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Sir G. FitzGerald, K.C.M.G., and Mr. Hamilton, C.B. [*Continued.*

Naval Defence Act, 1889.

Unauthorised Excesses of Expenditure over Statutory Estimates under Individual Ships.

Chairman.

1487. (To Sir *Gerald FitzGerald.*) You will notice what is said in the latter part of paragraph 16 in regard to the question of detailed Estimates under individual ships, which appears to the Comptroller and Auditor General to have been primarily a question for the Treasury. He goes on to say that if "these Estimates were not final, and if the new Estimates were necessary under Section 6 of the Admiralty Act, such Estimates should have been submitted to the Treasury by the Admiralty before any money was applied in pursuance of the amending Act; but no such new Estimates were or have been yet put forward." What is the explanation with regard to that?—The Estimates were submitted to the Treasury on the 10th April 1894, and they were approved by the Treasury on the 16th April.

1488. (To Mr. *Ryder.*) Have you anything further to say on behalf of the Treasury upon that point?—I think it might be convenient to the Committee if I put in the Admiralty letter and the Treasury reply upon this point. The Treasury reply practically shows the position which they took in regard to the amending Act, the sufficiency of which has been very legitimately questioned by the Comptroller and Auditor General.

1489. Will you hand in those letters?

[*The following letters were handed in:*—]

"Admiralty, S.W., 10 April 1894.

"Sir,—In continuation of Admiralty letter of the 15th July 1893, S. 1013/8583, and in compliance with the request contained in your letter of the 8th January 1894, 18,500/93, relative to the financial effect of the Naval Defence Act, 1893, and requesting to be furnished with a revised Estimate for each constituent of the Dockyard Shipbuilding Programme, I am commanded by my Lords Commissioners of the Admiralty to forward, for the information and approval of the Lords Commissioners of Her Majesty's Treasury, a revised Estimate of the cost of building and equipping each of the Dockyard ships, and of completing the contract ships after delivery.

"2. It will be seen by the tabular printed statement enclosed that the whole of the augmented fund of 10,000,000*l.* has not been distributed over the various ships, but only such portion of the increased provision as is considered requisite to complete all the ships under the Dockyard section of the Act, including steamboats, which leaves 186,289*l.* of the 10 millions unappropriated. My Lords, however, wish it to be understood that, should the aggregate expenditure upon all the ships exceed the detailed Estimate of 9,813,711*l.*, such excess will, with the sanction of the Treasury, be met out of the unappropriated balance of 10,000,000*l.* provided under the amending Act.

Naval Defence Act, 1889.

Unauthorised Excesses of Expenditure, &c.—*continued.*

Chairman—continued.

"3. My Lords will be glad to receive as early as may be convenient the approval of these amended Estimates by their Lordships of the Treasury.

"I am, &c.
"(signed) *Evan MacGregor.*"

"Treasury Chambers, 16 April 1894.

"Sir,—The Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 10th instant, enclosing, by direction of the Lords Commissioners of the Admiralty, a revised Estimate of the cost of building and equipping each of the Dockyard ships, and of completing the contract ships after delivery, the amount of which is as follows:—

	£.
"Building and completing 38 Dockyardships	9,441,747
"Completing 32 contract ships in Dockyards	371,964
	9,813,711
"Balance available for contingencies	186,289
"Total Dockyard Shipbuilding Fund under Naval Defence Acts, 1889 and 1893	10,000,000

"This Estimate is submitted in accordance with Section 4 of the Naval Defence Act, 1889, which has been applied by Parliament to moneys expended under the later Act, and my Lords approve of it accordingly.

"In strictness the Estimate ought to have been submitted before any money was expended under the Act of 1893. This, however, would have been impossible, because expenditure requiring the ratification of that Act had been incurred before the Act was passed; not only upon individual ships, but also, it is believed, upon Dockyard shipbuilding in the aggregate; and my Lords feel no doubt that Parliament intended the provisions of Section 4 to be observed so far as practicable only. A similar indulgence had to be claimed when the first statutory Estimate was presented in 1890.

"The Board of Admiralty wish it to be understood that they reserve the right, with Treasury sanction, to expend the whole or any part of the balance of 186,289*l.* on all or any of the ships, should this become necessary, before the 31st March 1895, for the statutory purpose of Dockyard shipbuilding.

"My Lords are of opinion that, subject to the requisite provision being made in Navy Votes, such an appropriation of the balance would be in accordance with the intention of Parliament in passing the Naval Defence Act, 1893.

"It will be remembered that the original Dockyard Shipbuilding Fund of 8,650,000*l.* was

Naval Defence Act, 1889.

Unauthorised Excesses of Expenditure, &c.—*continued.*

Chairman—continued.

based on a rough estimate, framed in October 1888, of

	£.
" Dockyard ships - - - -	8,432,000
" Completing contract ships - -	218,000
	£. 8,650,000

" This grew by February 1890 to 9,520,018*l.*, by July 1890 to 9,576,018*l.*, and by February 1891 to 9,569,351*l.*, and shortly afterwards, through the addition of 150,000*l.* for torpedo and steamboats, to 9,719,351*l.* Each of the three latter Estimates largely exceeded the statutory total, and could only be accepted provisionally, pending the ratification of Parliament by subsequent legislation.

" The last-mentioned Estimate of 9,719,351*l.* is the total of the 'red ink figures' in the Naval Defence Act Accounts, referred to in the 54th paragraph of the Third Report of the Public Accounts Committee, 1891, as 'final,' and described in the Treasury Minute of 5th January 1892 on that Report as 'the Estimates under the head of each vessel of the total expenditure on the vessel' required by Section 4 (1) (a) of the Act.

" My Lords see no reason for wishing to modify this description. The red ink figures professed to be the finally revised Estimates submitted under the fourth section of the Act of 1889, and yet their amount made them extra-statutory; and before the total thereof could be legally applied to the statutory purpose of Dockyard shipbuilding further legislation was necessary, either in the form of a direct amending Act, or through the medium of the Appropriation Act.

" An amending Act was preferred by Her Majesty's Government, as the more straightforward course, in 1893.

" The question then arose to what extent the statutory Dockyard Shipbuilding Fund ought to be enlarged. If the red ink figures of 1891 had been then regarded as sufficient, it would have been enough to enlarge the Fund from 8,650,000*l.* to 9,719,351*l.*; but it had been known for some time that the red ink figures would be exceeded, although to what precise amount was uncertain. Accordingly, it was determined to ask Parliament to enlarge the Fund to 10,000,000*l.*, as a safe sum that would perhaps yield a margin of saving.

" This enlargement of the Fund, coupled with the embodiment of Section 4 of the Act of 1889 in the amending Act made it necessary to present the revised Estimates, which, inclusive of the unappropriated margin of 186,289*l.*, my Lords have now sanctioned.

" Should it be necessary to use any part of that margin for the statutory purpose of Dockyard shipbuilding, my Lords will be prepared to give the requisite authority, the detailed Estimates being to that extent subject to revision.

" I am, &c.

" (signed) *Frank Mowatt.*"

1490. Perhaps you can tell us briefly the substance of the correspondence between the two Departments?—The earlier part of the correspondence has been printed, and no doubt read by the Members of the Committee; it is appended to the Account.

1491. I suppose these Estimates have been submitted?—The Estimates have been submitted in accordance with the statute.

1492. They have been submitted after the appropriation of the money?—That was inevitable. The same sort of irregularity occurred in 1889. Before the Estimates were submitted some money had been spent; and then, in 1893–94, some money was spent on account of the augmented Fund before the Estimates had been submitted to the Treasury.

1493. Then this particular compliance with the amending Act was not possible?—It was not possible. The Treasury view is that Parliament must have intended that the particular provisions to which the Comptroller and Auditor General draws attention were to be observed as far as it was possible to observe them.

1494. (To Sir *C. L. Ryan.*) You observe that the Estimates have been submitted, not, as you consider necessary, before the appropriation of the money, but after its appropriation; and the reason given is that this is inevitable; that strict compliance with the Act in this respect is not possible; what have you to say upon that?—I think I have nothing to say upon the question of the admitted breach of the Act of Parliament. It is admitted that the provisions of the Act of Parliament were not complied with, at all events in this particular respect. It is not for me to say whether the circumstances are such as would condone the breach or not; that is a matter for the Committee.

1495. You cannot give an opinion as to whether it was possible to submit the Estimates sooner or not?—No; that does not lie within my knowledge.

Mr. *Arthur O'Connor.*

1496. You give no opinion as to whether Parliament meant what it said, or not?—I venture to think Parliament did mean what it said; the Treasury thinks not.

Mr. *Alpheus Morton.*

1497. I suppose, whether the Treasury think so or not, the Act of Parliament should be obeyed?—That is not a question for me.

1498. You are acting, I take it, upon the Act of Parliament?—My duty is completed when I have called attention to the fact that the provisions

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Sir G. FitzGerald, K.C.M.G., and Mr. Hamilton, C.B. [*Continued.*

Naval Defence Act, 1889.

Unauthorised Excesses of Expenditure, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

visions of an Act of Parliament have not been strictly obeyed, and there my functions end.

1499. (To Mr. *Ryder.*) Does the Treasury think it right to disobey an Act of Parliament?—The Treasury thinks it necessary to obey any Act of Parliament most strictly, so far as is possible. I may say that some of this excess expenditure had been incurred before the Amending Act was passed.

1500. Did Parliament know that?—I cannot say whether Parliament did know it.

1501. It is admitted that the Treasury has disobeyed the Act, is it not?—I think the Treasury admits that Section 4 of the original Act, which is embodied in the Amending Act, requires that the estimates of expenditure should be submitted before any expenditure is incurred. That is a very good rule, but we cannot do more than obey it as nearly as possible.

1502. But the Act of Parliament intended that it should be adhered to?—I think the intention was that it should be obeyed so far as all the circumstances admitted of it.

1503. Has the Treasury given its sanction to the Act of Parliament being disobeyed?—The Treasury has given its sanction to certain estimates which include expenditure requiring the sanction of the amending statute which had been incurred before that amending statute was passed.

1504. Does this only refer to the smaller amounts you mentioned just now that had been started before the Act of Parliament was passed?—It refers to that, and all the later expenditure required for the completion of the ships.

1505. Do you know the amount of that earlier expenditure you mentioned?—It is about 48,000*l.*, I believe.

1506. Do you know the amount of the later expenditure?—The amount of the later expenditure required to make up the total of 10 millions I am afraid I cannot say exactly. I think it is between one and two millions.

1507. Has the Act of Parliament been disobeyed with regard to a large sum like 10,000,000*l.*?—No; Parliament has distinctly put the 10 millions at the disposal of the Government.

1508. But is the whole of the 10 millions being spent without estimates being submitted first?—No; the estimates have already been submitted.

1509. How much of the 10 millions does this disobeying of the Act refer to?—I am afraid I cannot say how much of this expenditure had been incurred before the Estimates were submitted.

1510. (To Sir *C. L. Ryan.*) Are you able to answer that question?—No.

Naval Defence Act, 1889.

Unauthorised Excesses of Expenditure, &c.—*continued.*

Mr. *Bartley.*

1511. (To Mr. *Ryder.*) I suppose you consider if it is impossible to carry out the Act of Parliament you are to act on common sense?—Certainly, I believe that is a well-known principle in law.

Sir *John Hibbert.*

1512. Is it not the fact that the Act was not considered to be sufficiently explicit in regard to what was to be done?—Yes; the Treasury acknowledged in its first letter that the Act might have been made more explicit, and expressed regret that it was not made more explicit.

General Remarks.

Chairman.

1513. (To Sir *Gerald FitzGerald.*) In the last sentence of paragraph 19, in regard to certain armaments, the Comptroller and Auditor General remarks that the Amending Act of 1893 does not cover this departure from statutory armament; have you anything to say upon that statement?—The Schedule to the Act of 1889 gives the tonnage and armament as approximate only.

1514. You do not admit there was a precise specification of the armament?—It was merely approximate.

1515. (To Sir *C. L. Ryan.*) Do you still contend that there was this specification of armament by the statute?—The specification is given in the Schedule, and therefore the departure from it was properly noticed. The Schedule gives the actual specification.

1516. (To Sir *Gerald FitzGerald.*) If there is a specification in the Schedule, is not that statutory?—No, I think not; it was only an approximate estimate. In the Schedule of the Naval Defence Act, 1889, the heading is, "Part I., Vessels to be built by contract, classes, and approximate tonnage, speed, and armament"; it was only "approximate," and therefore it cannot be considered statutory.

1517. (To Sir *C. L. Ryan.*) You observe that the heading of the Schedule includes the word "approximate"?—Yes; but where there is a specific statement in the Schedule, any departure from that I should think it right to notice.

Sir *John Hibbert.*

1518. But nothing beyond noticing it, I presume?—No; it is really a question of notice.

Mr. *Alpheus Morton.*

1519. This is part of the Naval Defence Act Account, which will come to an end shortly?—Yes.

25 *April* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Sir G. FitzGerald, K.C.M.G., and Mr. Hamilton, C.B. [*Continued.*

Naval Defence Act, 1889.

Account prepared by the Treasury of the Receipts into and Issues out of the Naval Defence Account at the Bank of England in the Year 1892–93.

Chairman.

1520. (To Sir *Gerald FitzGerald.*) In the last Sub-section of paragraph 21, the Comptroller and Auditor General remarks that certain omissions from the Account renders it incomplete as a continuous record of the Naval Defence Fund transactions, and that the Account further appears imperfect for various reasons, which he gives. Have you any remarks to make with regard to that incompleteness and that imperfection?—This Account is prepared by the Treasury.

1521. (To Mr. *Hamilton.*) Have you anything to say upon this point?—It is purely a banking account. The information in respect of which the Comptroller and Auditor General points out that this Account is defective was not received in time for us to insert it in the Account. That is the real explanation. This Account is closed on the 31st March, and

Naval Defence Act, 1889.

Account prepared by the Treasury, &c.—*continued.*

Chairman—continued.

I think the information was not received till the following 30th March; so that we had not time to insert it in the Account of 1892–93.

1522. Have you since received the information?—Yes; and it will appear in the next Account.

1523. (To Sir *C. L. Ryan.*) Have you any remark to make after hearing Mr. Hamilton's explanation?—No; I have received a letter from the Treasury to the effect Mr. Hamilton has explained, stating that an adjustment will be made in the subsequent year; and there is no objection to that.

Sir *Arthur Hayter.*

1524. That will make it a complete and a continuous Account?—Yes, it is a continuous Account; that will complete it.

[The Witnesses withdrew.

Wednesday, 2nd May 1894.

MEMBERS PRESENT:

Mr. Cameron Corbett.	Mr. Arthur O'Connor.
Sir Arthur Hayter.	Sir Richard Temple.
Mr. Alpheus Morton.	Mr. Webb.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

NAVY APPROPRIATION ACCOUNT, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in, and Examined.

Sir GERALD FITZGERALD, K.C.M.G., called in; and Examined.

On VOTE 8—III.

CONTRACT WORK.

WAIVING OF A CLAIM AGAINST CONTRACTORS IN RESPECT OF UNFINISHED WORK ON H.M.S. "BLENHEIM."

Chairman.

1525. (To Sir *Gerald FitzGerald.*) AT the last meeting of the Committee the consideration of this paragraph was postponed, and you were to bring up some further information in regard to it; are you now prepared with that information?—Since the meeting of the Committee of last week a letter has been written to the Treasury, dated yesterday, and the Treasury have sent a reply which I have not yet seen. They agree to write off the amount in question. I think Mr. Ryder will be able to give further explanation on the subject.

1526. (To Mr. *Ryder.*) Will you kindly say what there is to be said further?—I think the best way would be for me to hand in to the Committee a copy of the Treasury letter. The Treasury letter deals, not only with the "Blenheim," but with certain other ships taken out of the hands of contractors before the contractors had quite finished with them. The Treasury, in their letter, approve in principle of what the Admiralty have done, and also formally sanction the withdrawal of the claim in the case of the "Blenheim."

1527. (To Sir *C. L. Ryan.*) Have you anything to say further, after what Mr. Ryder has stated?—I have not seen the Treasury letter, and I have no further information.

1528. (To Mr. *Ryder.*) Do you propose to read the Treasury letter to the Committee?—I do not know whether it is advisable that I should read it; I am perfectly willing to do so if the Committee wish; but as being on a technical matter rather difficult to follow, it would perhaps be better if I handed it in to be printed as an Appendix Paper. I may observe that the immediate point before the Committee is, whether the Treasury sanction the abandonment of this particular claim to which the Comptroller and Auditor General calls attention.

Chairman—continued.

1529. I understand the Treasury does sanction its abandonment?—The Treasury does sanction its abandonment.

1530. (To Sir *C. L. Ryan.*) Would you say that the sanction is sufficient here?—I have not seen the letters, but I think the sanction may be considered to be sufficient in the present case, especially as the question will probably come up again in the next year. Therefore I think the Committee may accept the Treasury sanction as sufficient, in dealing with this paragraph.

Mr. *Alpheus Morton.*

1531. I understand you have not had a copy of the Treasury letter?—I have not.

1532. (To Mr. *Ryder.*) Could you tell us what the Treasury say?—Perhaps I might read the last part of the letter, which deals with the "Blenheim."

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir Gerald FitzGerald, K.C.M.G. [*Continued.*

Navy Appropriation Account.

Vote 8–III.—Waiving of a Claim against Contractors, &c.—*continued.*

Chairman.

1533. Will you please do so?—"Turning to the case of the 'Blenheim,' my Lords observe that the full contract price was 229,628*l.*, and that the contractors consent to an abatement of 1,366*l.* 16*s.* 8*d.* therefrom in respect of the cost of work properly falling to be done by them, but of which they were relieved by the premature removal of the ship to the Dockyard. Only an expert can say whether this abatement is fair. The actual expenditure in the Dockyard, which the Admiralty at first thought to be chargeable to the contractors, was 2,467*l.* 4*s.* 11*d.*, but the difference (namely, 1,100*l.* 8*s.* 3*d.*) between that sum and the agreed abatement is described as representing either fresh work or modifications, and fittings, or extra cost, for which the contractors could not fairly be made responsible. In particular the gratings and gun fittings, referred to by the Comptroller and Auditor General in paragraph 17 of his Report on the Navy Appropriation Account for 1892–93, appear from your letter not to have been mentioned in the Specifications, nor included in the contractor's ender. My Lords can only say that, assuming he correctness of the representations made to hem, the arrangements made with the contractors in the case of the 'Blenheim' seem to be justifiable, and they authorise the withdrawal of the extra charge of 1,100*l.* 8*s.* 3*d.* accordingly."

1534. (To Sir *C. L. Ryan.*) Have you anything to remark upon that, or are you satisfied?—I am afraid I cannot undertake to give an opinion upon a letter which I have only heard read now for the first time.

Mr. *Alpheus Morton.*

1535. Why do you say the matter will probably come up again next year?—Because there are other ships in the same condition.

1536. In the meantime the money will be allowed to contractors, I presume?—Yes, this particular money will be allowed to the contractors.

1537. If we pass it to-day, this will be sanctioned?—In this particular instance it will be; but it will not necessarily preclude the Committee from dealing with a similar case if it should come up next year on another item.

1538. We shall have parted with this money, at any rate?—I think, with the Treasury sanction, there is no other alternative, so to speak.

1539. You think, as I understand, that you would be bound to adopt their reasons?—I have no option.

Chairman.

1540. (To Mr. *Ryder.*) What was the date of the letter?—The Admiralty letter to the Treasury was dated the 1st of May; the Treasury reply is dated to-day, and was despatched to-day.

Navy Appropriation Account.

Vote 8–III.—Waiving of a Claim against Contractors, &c.—*continued.*

Sir *Arthur Hayter.*

1541. (To Sir *C. L. Ryan.*) You say in your Report that "the final reduction represents the cost of two items (making gratings, &c., and completing gun fittings), which, from the Specifications, appear to be properly chargeable against the contractors"; but if I understand Mr. Ryder, he thinks it is just the other way?—My statement is a *primâ facie* statement as it appeared to me upon the Specifications. The Treasury, having received this further information from the Admiralty, come to the conclusion that the *primâ facie* grounds upon which I base my statement are not borne out, and they give their sanction to the writing off of the claim. In so doing they are within their rights, and I cannot contest it, and do not wish to contest it.

The Committee-room was cleared.

After a short time, the witnesses were again called in.

Chairman.] The decision of the Committee is that they postpone this paragraph still further, until such time as the Comptroller and Auditor General has had an opportunity of reading the Treasury letter, and making any remarks he may see fit to the Committee upon the subject. The Committee also desire me to take this opportunity of saying that in their opinion this correspondence ought to have been laid before the Comptroller and Auditor General before the meeting of this Committee to-day. When this paragraph was postponed last Wednesday, the Committee were under the impression that the correspondence would have terminated in sufficient time for the Comptroller and Auditor General to look at it, and be prepared to form an opinion before the meeting to-day. The Committee observe that one of these letters is dated yesterday and the other is dated to-day, which, of course, offers no opportunity for the proper consideration of them. The Committee have no particular reason to doubt the merits of the decision of the Treasury in this matter; but still it is a necessary condition to the proper discharge of their responsibilities that the Committee, particularly through the assistance of their Parliamentary officer, the Comptroller and Auditor General should understand exactly anything that is said by way of explanation, and in their opinion this condition has not been fulfilled in this case. No opportunity has been afforded to the Comptroller and Auditor General of considering the letters of the Admiralty and the Treasury, and the reason the Committee ask me particularly to mention this to the representatives of those two Departments is, that they apprehend that certain delay in the preparation of

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir Gerald FitzGerald, K.C.M.G. [*Continued.*

Navy Appropriation Account.

Vote 8-III.—Waiving of a Claim against Contractors, &c.—*continued.*

Chairman—continued.

of the Papers which are to be laid before the Committee may have happened before, and I hope that the point will be borne in mind in the future. Whenever a paragraph is postponed for a reason of that kind, namely, the issue of certain letters, those letters should be issued in time to allow of full consideration before the Committee meet. (Mr. *Ryder.*) I am sure the Treasury wishes that should always be the case. In the present instance I am afraid it was scarcely possible, as we did not get the Admiralty letter until late yesterday.

Chairman.

1542. (To Sir *Gerald FitzGerald.*) It would have been better if the Admiralty could have sent their letter on Friday?—We endeavoured to deal with this question as quickly as possible. The matter had to be considered by the technical officers who have other pressing and important business to attend to, and if those gentlemen are engaged letters have necessarily to wait their turn, causing delay.

Mr. *Alpheus Morton.*

1543. What do you mean by their having to "wait their turn"?—Other questions of pressing importance may be before those officers.

1544. Bearing in mind that this matter was to come before the Committee to-day, ought not an effort to have been made to take it out of its turn?—Every effort was made when it was decided what answer was to be given; it was sent to the Treasury.

1545. Could not that be done till yesterday?—It could not be done until the professional officers considered what answer would fully explain the matter to the Treasury.

Chairman.] The consequence is that we shall have to postpone the further consideration of this paragraph.

Further consideration of Paragraph 17 postponed.

On Vote 9.

Naval Armaments.

Advances to Contractors on Guns outside the Terms of Contract.

Chairman.

1546. (To Mr. *Ryder.*) We were to await some communication from the Treasury upon the point raised in paragraph 20?—The Treasury has received a letter from the Admiralty on the subject and has answered it, and I think the answer has been communicated to the Comptroller and Auditor General.

1547. (To Sir *C. L. Ryan.*) Have you seen the letter to which Mr. Ryder refers?—No, I have not seen it.

1548. (To Mr. *Ryder.*) What is the date of the Treasury letter?—The Admiralty wrote to us on the 30th April, and the Treasury letter, in reply, is dated the 1st May.

1549. I am afraid this paragraph will have to be again postponed. (Sir *Gerald FitzGerald.*) May I point out that during the consideration of this paragraph last Wednesday, the Chairman said, "Then we will postpone the further consideration of this paragraph till we receive the opinion of the Treasury upon the explanation that has been given." We have now the opinion of the Treasury, and possibly the Committee would consider that it would be sufficient to enable them to pass that paragraph if the letter were read. The point was reserved only for the opinion of the Treasury.

1550. (To Mr. *Ryder.*) Will this letter be communicated to the Comptroller and Auditor General from the Admiralty or from the Treasury?—The Treasury has certainly no objection to sending it. I have a copy now that I could deliver to the Comptroller and Auditor General, if it was possible that that would enable the Committee to pass the paragraph.

1551. Is the letter a long one?—No, it is not very long. (*The letter was handed to Sir C. L. Ryan.*) (Sir *C. L. Ryan.*) I, of course, do not like giving an opinion off-hand upon a somewhat technical point without having had an opportunity of consulting my own officers. At the same time, if the Committee do not wish to be troubled with this particular paragraph again, I think they might accept the Treasury ruling in this matter, and waive any objection to passing the paragraph. I have read the letter; it is a little technical, and, under ordinary circumstances, I should think it my duty to claim the right of consulting my officers.

1552. This correspondence, to be of use for a particular meeting, must be ready two or three days before that meeting, otherwise the Comptroller and Auditor General cannot consider it, and cannot consult his officers, and cannot give an opinion to the Committee upon it; and the Committee will not decide these questions without first consulting the Parliamentary officer, who sits here as their assessor, so to speak. The representatives of the Treasury and the Admiralty will quite appreciate the importance of what I have said. (Mr. *Ryder.*) I do, and I am sure the Treasury will agree with that view.

Further consideration of Paragraph 20 postponed.

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

IMPERIAL DEFENCE ACT (NAVAL SECTION).

AUSTRALASIAN AGREEMENT.

Account, 1893–94.

Chairman.

1553. (To Sir *C. L. Ryan.*) Is it not the case that the points in the first four paragraphs of your Report upon this Account are really concentrated in paragraph 5?—To all intents and purposes they are so concentrated; because the outstanding questions mentioned in paragraph 2 have been subsequently settled, the query with regard to freight raised in paragraph 2, has been answered, since the last meeting, which practically disposes of that paragraph, and no question arises as to increasing the amount of the over expenditure upon Imperial Defence. Therefore, paragraph 5 is the paragraph which really deals with the point now at issue.

Mr. *Arthur O'Connor.*

1554. I understand, from your observations, that you have received, since the last meeting, some communication that has disposed of the difficulty mentioned in paragraph 2?—Yes; the query has been answered since as far as regards the freight.

1555. If that communication had been made prior to our last meeting the difficulty would have been disposed of?—Yes.

Mr. *Arthur O'Connor*—continued.

Mr. *Alpheus Morton.*

1556. Do I understand that you do not consider there is an excess of the statutory provision now?—I have not altered my opinion upon that, but paragraph 2 has been practically settled as regards freight by the information subsequently received.

1557. Still you say that there is an excess of expenditure over statutory provision?—Yes; the only question was whether that excess should have been larger or smaller depending upon unanswered communications. Those communications have been answered since, and the statutory excess remains as originally stated, and is not affected either way practically.

Chairman.

1558. The point of statutory excess comes out in paragraph 5, does it not?—It does.

Difference of Opinion as to proper Method of adjusting Excess Expenditure.

Chairman.

1558*. (To Sir *C. L. Ryan.*) I understand the point of paragraph 5 to be this: an excess sum of about 4,000*l.* was incurred in shipbuilding; in order to meet that the Admiralty apparently deducted so much value from the outfit of one of the ships, and credited that against the excess, or so arranged that it should meet the excess; and that transaction you consider irregular, as I understand?—My point is that the account shows an excess above the statutory provision. How that is to be met is not a matter for me. I objected originally, when I wrote this Report, to any sum being charged in excess of statutory provision, and that is all that I really have to say. The meeting of that excess is a matter not for me, but is one that the Committee should ascertain the right or wrong of from the Treasury and the Admiralty.

1559. Do you contend that it has not been met?—I should contend that it has been met now by an *ex post facto* transaction of a character which certainly, when the Report was written, required further justification.

1560. Has that justification been given?—I have received, since I came to the Committee, a letter from the Admiralty and the reply of the Treasury, which I have of course barely had an opportunity of glancing over; but it will be for the Committee to consider whether that satisfies them.

1561. What is the date of the letter you refer to?—The letter is only dated the 1st May, and I have received it since I came here this afternoon.

Chairman—continued.

1562. Do I rightly understand that an attempt has been made to meet this 4,000*l.* excess in the construction charge by some arrangement regarding the equipment in powder of one of the ships?—Yes; the "Mildura." That is explained in the Treasury letter of 10th February 1894, on page 7.

1563. You would consider such an adjustment as irregular?—I should certainly consider *primâ facie* than an *ex post facto* transaction of that kind was irregular.

1564. Are you under the impression that some justification of this is offered in the letter that has just been received?—The Treasury consent is given to it. I think the Committee would no doubt wish to have the letters before them to consider.

1565. The letters are only dated yesterday?—The letters are only dated yesterday.

1566. Therefore you are not in the position to offer the Committee an opinion upon them?—I would rather not express any decided opinion upon the letter, because I have not had an opportunity of considering it.

1567. But you might do so next week probably?—Certainly.

1568. (To Sir *Gerald FitzGerald.*) We must postpone the further consideration of this paragraph; would you like to state your view to the Committee

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

Imperial Defence Act (Naval Section).

Difference of Opinion as to proper Method of adjusting Excess Expenditure—*continued.*

Chairman—continued.

Committee upon this paragraph to-day, or would you rather state it later on?—If the Committee wish to take up the question and determine it to-day, I am prepared to give my view now.

1569. But if not, I gather you would prefer to postpone your answer till the Committee are in a position to go into the matter and give their decision?—Certainly, but I would wish to remark that there was no question of unanswered letters raised at the last meeting of the Committee.

Further consideration of Paragraph 5 of Imperial Defence Account postponed.

[Sir *Gerald FitzGerald* withdrew.

GREENWICH HOSPITAL AND TRAVERS' FOUNDATION.

Capital and Income Accounts, 1892–93.

Mr. George T. Lambert, called in; and Examined.

Chairman.

1570. You are, I believe, the Director of Greenwich Hospital?—Yes.

Mr. *Alpheus Morton.*

1571. Can you tell us whether the 100*l.* referred to in paragraph 2 of the Comptroller and Auditor General's Report on this Account is given under an Act of Parliament?—The Act of Parliament which refers to the buildings of Greenwich Hospital is the Greenwich Hospital Act of 1869, and by that Act "The Admiralty may from time to time permit Greenwich Hospital or any part thereof" "to be occupied and used temporarily for the purposes of the Naval Service or of any Department of Her Majesty's Government, or for the benefit of persons engaged or who have been engaged in seafaring pursuits with or without requiring a rent." The Admiralty, in 1873, appropriated the buildings without rent for the purposes of the Royal Naval College. Some years after that some additional portions of the building were given over for the same purpose, and the Civil Lord of the Admiralty, who was then Sir Massey Lopes, thought some rent should be charged for the additional buildings, and fixed it by a Minute of his own at 100*l.* a year. That was passed by the Board and remained till last year, when, on the Report of a Select Committee of the House of Commons, that 100*l.* a year was increased to 5,000*l.*

1572. Is that 5,000*l.* given under Act of Parliament?—The Act of Parliament authorises the Admiralty either to charge or not to charge a rent, and they thought fit, on the recommendation of the Committee of the House of Commons, to charge a rent.

1573. Therefore they got power under the Act, as you understand it, to make the rent what they like?—That would require the sanction of the Treasury as well.

Sir *Arthur Hayter.*

1574. Is the second recommendation of the Committee as to the 16,000*l.* referred to in paragraph 1 going to be carried out?—It is actually in operation. That is to say 8,000*l.* was given for the six months; it was only done in the autumn.

Mr. *Alpheus Morton.*

1575. The recommendation was that 16,000*l.* should be granted from the Consolidated Fund?—Yes.

1576. Has that been granted?—It has been granted.

1577. Have they paid any of it?—£.8,000 was paid in the course of the last six months.

1578. Was that done by Act of Parliament?—It was not done by an Act of Parliament. It was done by the Admiralty and the Treasury jointly.

1579. Out of Admiralty funds?—Out of the Navy Votes.

1580. Can you tell us out of which Vote?—I am afraid I cannot. The Accountant General for the Navy would be the person who could speak to that. It was not provided for in the Estimates of last year, so that I do not know what Vote it would actually come out of.

1581. (To Mr. *Ryder.*) Can you tell us what Vote it would come out of?—The rent would be in the Educational Vote, Vote 5, I think. This payment for pensions would be upon a non-effective Vote, Vote 14. The full 16,000*l.* has been provided in the current year's Estimates.

1582. Is it set out as a separate item?—Yes, it is quite clear.

1583. Was any means taken to get the consent

Greenwich Hospital, &c.

Capital and Income Accounts, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

sent of Parliament last year as regards the 8,000*l.*?—I am afraid I cannot speak with certainty about that; I do not remember the circumstances.

1584. Is there any officer here who can tell us?—I have just been given a Statement which I understand was presented to Parliament, and which explains the probable insufficiency of the Estimate for Vote 14, Naval and Marine Pensioners, 1893–94. It then recites the recommendation of the Select Committee, and it says, "For this service no provision has been made, as the decision had not been arrived at when the Estimates were in course of preparation." It then explains that "the excess that would be caused by paying 8,000*l.* over the half year would be met, either by the appropriation of savings on other Navy Votes, which will be notified to the House at a later date by Treasury Minute or by means of a Supplementary Estimate."

1585. There was no Supplementary Estimate taken, was there?—I think no Supplementary Estimate proved to be necessary.

1586. Do you not think this is one of the matters there should be a Supplementary Estimate for?—The Treasury does not present a Supplementary Estimate unless there is no money available for the service. If there are savings on Votes sufficient to meet the new service, a Supplementary Estimate probably would not be presented.

1587. I thought we clearly understood that savings were only to be used in matters of emergency?—That is quite true; in matters of emergency, or where the sense of Parliament has been fully expressed, or is ascertained in some way or another.

1588. Is not this an entirely new Vote which it would be wise to bring forward as a Supplementary Estimate?—I think the Treasury and the Admiralty must have been satisfied when they had told Parliament of it by the circulation of this Paper, if the House of Commons had not liked the arrangement there would have been some evidence given of their disapprobation.

1589. You mean after the money was paid?—No; after the circulation of this Paper.

1590. (To Sir *C. L. Ryan.*) May I ask whether the Navy Department, with the consent of the Treasury, have power to take this money?—Certainly, under the law.

1591. They have power to take the savings on a Vote, and spend it on a new matter like this?—Yes, provided the matter is within the four corners of the Vote.

1592. You, I suppose, consider that this is within the four corners of the Vote, or you would have called our attention to it?—Yes.

1593. Do not you think that this is a matter that ought to be brought before Parliament in the shape of a Supplementary Estimate?—That is hardly a question for me to answer.

Greenwich Hospital, &c.

Income Account.

Chairman.

1594. (To Mr. *Lambert.*) At the end of paragraph 7 you will observe the Comptroller and Auditor General says that he finds it difficult to accept the view that extra remuneration granted to salaried officers in respect of services performed in the ordinary course of duty ceases to be "in the nature of salary"; and as grants of that kind may be expected to recur, he has thought it desirable to refer to the matter. Have you any answer to give to the doubt that is thus expressed by the Comptroller and Auditor General?—Yes. In the Greenwich Hospital Act of 1865, which was the Act which placed the Greenwich Hospital affairs on their present footing, it is laid down that "the Admiralty shall from time to time continue or appoint such officers, clerks, and servants for the purposes of the hospital and schools as seem fit, and may, subject to the approval of Her Majesty in Council, fix the salaries of such officers and clerks, and may regulate the wages of such servants." The question of a temporary allowance, not a salary, arose in this case; and as the Comptroller and Auditor General raised a question as to whether an Order in Council would not be required, the matter was referred to the solicitor to Greenwich Hospital for his opinion. The solicitor has given his opinion that a temporary allowance of this kind is not a salary within the meaning of the Act of Parliament, and that consequently an Order in Council was not required. That is the point the Comptroller and Auditor General has raised in this paragraph. I have got the opinion of the solicitor here, if the Committee would like me to read it.

1595. Will you kindly read the main substance of it?—He says: "It appears to me the Comptroller and Auditor General's requirement that there should be an Order in Council to enable the grants to be made to assistant masters is wrong, because those amounts are not in the nature of salary, but are merely temporary payments, which can be terminated at any time if the boys fail to earn the grant, or if their Lordships do not think fit to allow it to be paid. It is to be observed that the money out of which these grants are paid is not money belonging to Greenwich Hospital, but is money paid by the Science and Art Department." It is upon that opinion that the Lords of the Admiralty have acted in this case. They have distributed this grant, which is 89*l.*, among the assistant masters who gave instruction in drawing. It came to something over 4*l.* each.

1596. Was this opinion of the solicitor communicated to the Comptroller and Auditor General?—Yes, it was.

1597. (To Sir *C. L. Ryan.*) What is your view upon Mr. Lambert's explanation?—I do not think Mr. Lambert's explanation adds anything that was not before me at the time that the paragraph was written. I should venture to differ

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Lambert. [*Continued.*

Greenwich Hospital, &c.

Income Account—*continued.*

Chairman—continued.

differ from the view held by the solicitor to Greenwich Hospital. All payments of this kind I should have considered in classification as being salary, and if they are salary then they fall under the provisions of the Order in Council. It is rather a matter for the Committee to decide after hearing the explanations.

Sir *Arthur Hayter.*

1598. Would it be reckoned, for instance, in his claim to a retiring pension?—That would be a question which the Treasury would decide under the powers of the Superannuation Act. It would be for them to decide whether a particular payment was or was not proper to be reckoned in superannuation.

1599. (To Mr. *Ryder.*) Could you tell me whether this temporary increase of the assistant master's salary would be reckoned as justifying a higher rate of pension?—I am afraid I could not say with certainty; I am in doubt about it. I also am not sure whether pensions chargeable on Greenwich Hospital funds are submitted to the Treasury. I daresay Mr. Lambert would know that. (Mr. *Lambert.*) They are not submitted to the Treasury; they are awarded by the Admiralty under the Greenwich Hospital Acts.

1600. Would an assistant master think himself injured if he did not get it another year?—No, he would not, because the Admiralty give it from year to year without any promise or understanding as to any year following.

Mr. *Alpheus Morton.*

1601. I suppose they are told when they are engaged in the same way as in other schools, that they will get a share of this grant?—They would know it.

1602. You are aware, I suppose, that masters are generally paid in this way in lieu of salary?—I cannot say that I am.

1603. Do you not know that except in the case of the School Board for London, it is the invariable practice to give the masters a share in this grant, and no salary?—It may be the practice; I do not know for certain.

1604. Therefore the masters understand at the commencement of the year that they will get a share of this grant if it is earned?—They do so understand.

1605. Then, surely, it is salary, is it not?—It is in this way. This grant depends upon various things; it may not be given at all by South

Greenwich Hospital, &c.

Income Account—*continued.*

Mr. *Alpheus Morton*—continued.

Kensington. It depends upon the results of the examination of the drawings. There may be no grant.

1606. It depends largely upon the instruction given by the master?—It may very largely depend upon that. It may also vary in amount. The instruction may not be given by the same masters in different years. It is liable to very great fluctuation.

1607. You said just now that the Admiralty have the granting of pensions without regard to the Treasury?—That is so.

1608. Do you know what their practice is?—In this particular case the masters at the school are not entitled to pensions at all; so that the question would not arise.

1609. Do they not get any pension?—Not under the terms of their employment.

Mr. *Arthur O'Connor.*

1610. The solicitor to the Greenwich Hospital is not the Solicitor to the Admiralty, is he?—No.

1611. He is not the Attorney or the Solicitor General?—No.

1612. Who is he?—He is Mr. William Bristow, solicitor at Greenwich and also in London; he is a well known solicitor.

1613. I suppose you regard the Greenwich Hospital Funds as public money out of which the salaries are paid?—Certainly.

1614. The grants given by the Science and Art Department are also public money, are they not?—Certainly.

1615. Who fixes the salaries of these masters?—The salaries have been fixed by the Admiralty.

1616. Are they completely at the discretion of the Admiralty authorities?—Subject to Order in Council.

1617. They have to be submitted to the Treasury, I presume?—No; salaries are awarded by the Admiralty under the Greenwich Hospital Acts.

1618. Does the First Lord of the Admiralty obtain the Order in Council?—The Board of Admiralty. Of course the First Lord would see it.

1619. No Order in Council has been obtained with special reference to any grants obtained from the Science and Art Department?—None.

[Mr. *Lambert* withdrew.

STORE ACCOUNTS OF THE NAVY.

Mr. W. G. P. Gilbert, called in; and Examined.

Dockyard Stores.

Value of Stocks at 31st March 1893.

Chairman.

1620. At the end of paragraph 1 the Comptroller and Auditor General says that it might be inferred that the increase of stock was at least in part attributable to the growing requirements of ships completing and preparing for sea, which had been met by larger purchases than were estimated under Sub-Heads B., D. and E.?—That is so.

1621. Have you any remarks to make upon that, or have you any explanation to give?—No. I agree in the view that it may be in part due to the growing requirements of ships owing to the increase of the fleet.

1622. May I further ask your attention as to what is said in an earlier part of the paragraph. The Comptroller and Auditor General says it may be worthy of consideration whether a statement should not be submitted each year under Vote 8, Part II., showing the various causes that make for or against an equilibrium of stock in addition to the general explanation at present offered. Can such a staement as that be prepared?—I think so, if it is desired.

1623. May the Committee understand that that will be done in future?—If the Committee desire it we could prepare such a statement. I think the materials for the preparation of such a statement already exist.

1624. (To Sir *C. L. Ryan.*) You think it is desirable, I understand?—I think it would give a clearer explanation to the Committee if it was set out in figures rather than left to the general explanation at present offered, and, as I understand the materials exist, there ought to be no great difficulty in making such a statement.

1625. (To Mr. *Gilbert.*) May we understand that that will be done?—If it is found that the Accounts can be prepared somewhat earlier than at present, and I think steps are being taken in that direction already; I think it will be done.

Mr. *Alpheus Morton.*

1626. The Comptroller and Auditor General says in the second sub-paragraph, "An explanation in such general terms" (that is, referring to the first part of the paragraph), "seems scarcely adequate in a case where a depletion of stock to to the extent of 84,000*l.* had been anticipated, and where such various causes affect the result as are set out in paragraph 14 of my Report upon the Appropriation Account above." What explanation have you to give to that?—When the explanation in general terms was given, the Accounts had not then been completed, and we were not in a position to give more precise information. I think the Comptroller and Auditor General has since received further information which has satisfied him.

Mr. *Alpheus Morton*—continued.

1627. (To Sir *C. L. Ryan.*) Does the further information with which you have been furnished satisfy you?—Yes; but practically I have supplemented the explanation of the Treasury in the last part of the paragraph.

1628. Am I right in saying that the second sub-paragraph was answered by the third?—To some extent.

1629. Therefore you have had now better explanations?—I have; and there also has been made a statement that this will be set out in a kind of table giving figures, which will enable the Committee to follow it much more clearly another year.

1630. And also satisfy your requirements?—Certainly.

Mr. *Arthur O'Connor.*

1631. (To Mr. *Gilbert.*) I see this paragraph relates to the value of stock on hand; does it include the normal stock at Sydney?—It does.

1632. How would it be affected by this transfer or withdrawal of ammunition to the value of 4,000*l.* in a vessel?—It would not include ammunition; that is another Vote.

1633. Does it include shot and shell?—No; this is Naval Stores, not ammunition, or shot, or shell, or that sort of thing.

1634. What do you understand by "Naval Stores"?—All stores, excluding Gunnery Stores and Munitions of War.

1635. You buy, or are concerned with, all stores, are you not?—All but those I have mentioned, Clothing and Victualling Stores.

1636. Do you ever buy stores from the Army?—On occasions, certainly; we obtain stores from the Army.

1637. Do you buy stores from the Army which are obsolete for Army purposes but not for yours?—If we require stores that are obsolete for Army purposes.

1638. If the War Office part with them at 10 per cent. of their original price, how do you book them in your books; do you take them in charge at full price or the 10 per cent. price?—We should take them at the price we agreed to pay for them, that is at the reduced price.

1639. Take this as an illustration, not as falling within your own Department, but merely to show what I mean. In the Report of the Comptroller and Auditor General on the Store Accounts of the Army, he says, "Issues of shot and shell which

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Gilbert. [*Continued.*

Store Accounts of the Navy.

Value of Stocks at 31st March 1893—*continued.*

Mr. *Arthur O'Connor*—continued.

which have become obsolete for land service have been made by the War Department to the Surveyor General of Naval Ordnance on payment of one-tenth of the Vocabulary prices"?—I am not in a position to answer with regard to shot and shell.

1640. I take that merely as an illustration. Supposing, for instance, there were any stores of that kind within your own Department treated in that way?—I do not think we have had such a case in my own Department. If we bought stores from the War Department they would be new, probably.

1641. Do you always pay the full price?—We should pay the full price in that case.

1642. At all events, you would value them at the full price?—Yes; what they were worth to us.

1643. It may be that certain stores in your hands would appear in the public Returns at the value of 100 per cent. of their cost price, whereas if they happened to be in the War Office hands the same stores might be valued at only 10 per cent.?—I do not quite follow that. I do not see how it could be so.

1644. (To Sir *C. L. Ryan.*) You will, I think, understand what I am referring to?—Yes.

1645. Have you been able to obtain the information upon that point for which I asked on a previous occasion?—When you asked me the question I was not able to answer it; but I have since ascertained that the articles would be taken on by the Admiralty at the price they paid for them.

1646. Which would be one-tenth?—Yes.

Independent Test-Verification of Stock.

Mr. *Alpheus Morton.*

1647. (To Mr. *Gilbert.*) What steps have been taken by the Director of Stores to remove the imperfections in storekeeping which are mentioned in paragraph 2?—In the test stock-taking the officer has instructions to note anything that might be improved, because he would have the advantage of seeing the stock at all the Yards, and an improvement made at one Yard might be with advantage introduced into another.

1648. Who takes the stock?—Two clerks from my Department in town.

1649. You take stock as against yourself?—No, I take stock as against the storekeeping officers of the Dockyard.

1650. You have charge of all these stores, have you not?—No, the officer in the Dockyard has the charge of them.

1651. He is in your Department, is he not?—He is under my orders, certainly,

1652. You appoint those who do the stock-

Store Accounts of the Navy.

Independent Test-Verification of Stock—*continued.*

Mr. *Alpheus Morton*—continued.

taking, I understand?—Yes, as regards the stock-taking.

1653. (To Sir *C. L. Ryan.*) I suppose it would be possible to have an independent stock-taking under your Department?—It would be perfectly possible, but it would involve additional expenditure.

1654. Is it clear that it would cost any more for you to pay these officers than for the Admiralty to pay them?—The Director of Stores would not be justified in not checking the stores for his own protection; and anything I did must be done independently of him, and would be additional expenditure, undoubtedly.

1655. (To Mr. *Gilbert.*) How often do your officers take the stock?—Constantly, as a matter of surprise; they are taking stock continuously; they are going from Yard to Yard; the men themselves do not know where they may be sent next.

1656. Do you keep two clerks constantly at work?—Yes, except for about six weeks in the winter.

1657. Do they always do exactly the same work?—No; and the men would be changed from year to year, or at least one of the two. Sometimes we have three or four men engaged on it for a short period; men of superior status also sometimes go down, and with these additional short periods the time given to this service is equivalent to two men throughout the year.

Mr. *Arthur O'Connor.*

1658. Where are these test-verifications carried on; is it only in the Dockyards?—In the Dockyards.

1659. As against Dockyard officials?—Yes.

1660. Do you never take a survey of the stock on board ship?—No, the naval authorities do that, and report to me.

1661. What is the case with regard to the Victualling Yards?—The Victualling Yards are not under me.

1662. Who is it that takes the stock on board ship?—The officers of the ship; two or three commissioned or warrant officers. In the case of warrant officers' stores the navigating officer would probably be one.

1663. Those officers would, of course, do whatever duty they are told off to do to the best of their power; but is this a duty that is understood to be a welcome duty to a navigating officer?—We have gone in the direction of insisting upon its being done, and I think it is done.

1664. You have not any civilian officer who could do it?—No; I do not think it would be desirable to send civil officers afloat for the purpose.

Store Accounts of the Navy.

Losses and Condemnation of Naval Stores.

Mr. *Alpheus Morton.*

1665. (To Sir *C. L. Ryan.*) I should like to ask whether you consider these losses which are referred to in paragraph 3, and which are mentioned, as I understand, on pages 57 to 60, at all excessive in conducting a business of this nature?—I have nothing to remark upon them further.

1666. You do not consider them at all out of the way?—I think not. They have all been approved by the Treasury to be written off.

1667. There are two headings at page 60: "Amounts abandoned and charged against balances irrecoverable," and "Other amounts abandoned and not charged against balances irrecoverable." What is the difference between the two; they seem both to be irrecoverable, whether you charge them against balances irrecoverable or not?—It is mainly a book-keeping difference. The one has been recorded as a cash claim, and the other has not.

1668. They are both losses, are they not?—They are both losses.

Mr. *Webb.*

1669. (To Mr. *Gilbert.*) As to this examination of stores, I should like to ask whether the stores are turned over. Suppose you are examining, say, 1,000 cases piled together, is it seen that the store is turned over, and that the stock in store is used before the next examination?—The stores are not kept in cases, they are all arranged in racks open to view. Where they are in packets a packet here and there is taken and tested; every packet would not be opened.

1670. Supposing there is, say, 1,000 packages in store now of a certain article, would that be examined next year, and would it be seen that is used and a fresh lot examined?—It would depend upon the character of the article. One can hardly tell. It must depend upon the character of the article; some articles, of course, you could judge of.

1671. Is there much of a perishable character in your Department?—There is some; for instance, oil, tallow, and things of that kind, and timber, bunting, and indiarubber goods, but most of the things are not perishable.

Detailed Test Examination of Store Ledgers of Home and Foreign Yards.

Mr. *Alpheus Morton.*

1672. (To Mr. *Gilbert.*) May I ask how it occurs that there is such a very unsatisfactory report with regard to the stores at Chatham Dockyard?—Chatham Yard felt the pressure caused by the increase of the Fleet more than any other Yard. A new duty, comparatively, was imposed upon them; or rather the new duty was felt much more by Chatham than by the other Yards in the equipment of the ships. There were a great many more ships attached to

Store Accounts of the Navy.

Detailed Test Examination of Store Ledgers, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

Chatham Yard than to Portsmouth and Devonport, and, consequently, Chatham felt the pressure in a very much greater proportion than the other Yards.

1673. How are you getting over the difficulty; are you putting on a larger staff?—We are putting on a larger staff. We are endeavouring to get over the difficulty in that way.

1674. Why was it not discovered previously?—We endeavour to do without an increase of staff if possible.

1675. But have you no means, before irregularities occur in the way mentioned here, of discovering them?—These are irregularities in account-keeping.

1676. Cannot you discover them before the Comptroller and Auditor General does?—We do, very often.

1677. In this case had you done so?—In this case we knew we were weak there. We were endeavouring to do with as little assistance as possible.

1678. Do you mean to say you knew the accounts were being kept in an irregular manner?—No; as soon as we knew they were not in a satisfactory condition we took steps to remedy it.

1679. When did you make the alterations with the view of putting matters right?—About 18 months or two years ago, speaking from memory.

1680. (To Sir *C. L. Ryan.*) Have those alterations been made, to your knowledge?—Yes; I believe they have been made since. I state so in the Report.

1681. That might have been last year, but I understand from Mr. Gilbert they were made two years ago?—No; the weakness was in the year under review.

1682. The alterations would be made last year, so far as you know?—I think it is only last year that steps have been taken.

1683. (To Mr. *Gilbert.*) Do you think they were made two years ago?—I think they were made about two years ago, speaking from memory. But in making alterations of this character we had to take inexperienced men, because we could not spare experienced men from the other Yards. All the other Yards felt the increase of work considerably, and consequently we had to take inexperienced men. The improvement, therefore, would not be felt for some little time. Concurrently with that we have been exacting more strict accounts, and introducing rather a new system.

Mr. *Arthur O'Connor.*

1684. You speak of some of these cases being errors in account; but some of them are possibly open to another view. For instance, the Report speaks of "discrepancies traced between the numbers of articles shown on the demand notes for issues and the numbers actually issued." That might suggest something a good deal more serious

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Detailed Test Examination of Store Ledgers, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

serious than mere inaccuracy in accounting, might it not?—In that case, I think, the discrepancy would be as between the two notes. Every transaction is recorded on two notes; that is, on the original note and on the duplicate.

1685. The discrepancy I am referring to is between the number actually issued and the number which ought to have been issued, as shown by the demand note. That demand note would justify a certain number being issued, and, as a matter of fact, more were issued?—Yes; more or less may be issued; that may happen.

1686. I will assume, until it is disproved, that more have been issued than the demand note justifies. I want to know what has become of those extra articles?—If more were issued than were demanded the quantities would go to the officer who demands them, and at the same time he would be informed of the additional issue.

1687. It does not follow at all that the number would go to the demanding officer; all we have here is that certain demand notes came in for, say, 100 particular articles, and 120 were issued; the officer issuing the demand note may get his 100, but the other 20 articles may go anywhere; they may be embezzled or may be sold?—I did not understand that this Report was intended to convey that a greater number of descriptions of articles were issued than appeared on the demand note.

1688. If in a single case there is an over-issue made beyond what the demand note justifies, that over-issue must be accounted for somehow or other, I presume?—It would be.

1689. How; by a disallowance against the issuing officer?—No; if they were really issued to the receiving officer he would have his supply note, and it would be charged against the ship or the service with which he was associated.

1690. Supposing that your vouchers justify the issue of 100 articles?—Does the honourable Member mean a hundred descriptions of articles.

1691. I do not care which way it is; I will put it in this way: your demand note justifies a certain limited issue; supposing an issue is made beyond that limited number, the over-issue must be justified or accounted for, must it not?—I do not think this paragraph relates to an over-issue. I do not so take it.

1692. Will you show me how far I am wrong in interpreting these words as meaning that the numbers actually issued did not agree with the numbers justified by the demand note; you go with me so far, do you not?—Would the honourable Member ask the Comptroller and Auditor General to explain what he was referring to in this paragraph.

1693. (To Sir *C. L. Ryan.*) Will you tell me whether I am justified in assuming that there has been an over-issue beyond the demand note total?—I have got here a query in which we pointed out that certain issues did not agree with the ledger record, and the answer given

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Detailed Test Examination of Store Ledgers, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

was: "The circumstances of these cases having been carefully investigated, it has been ascertained that the quantities and descriptions as adjusted in the Ledgers were those actually issued. The errors which were occasioned by clerical omissions to alter notes, and in one instance by an unauthorised alteration of the ledger were discovered on the comparison of the storehouse ledgers with the records of expenditure about the end of July. The differences which existed in some cases between the stores actually issued and those shown on the vouchers sent to the store receivers should, however, have been discovered on checking the stores received. The Admiral Superintendent has been requested to issue general instructions to storehouse men and receivers of stores to prevent a recurrence of similar errors, and he has also been informed that serious notice will in future be taken of alterations made in ledgers without adjustment note." I think, on the admission of the Admiralty, that justifies that paragraph in my Report. (Mr. *Gilbert.*) That is as between the notes and the ledgers.

1694. I suppose these demand notes are the authority upon which the officer having the custody of those stores makes the issue?—That is so.

1695. If he gets a demand note which justifies an issue up to 100 articles, we will say, and it is found that 120 have been issued, how do you bring him to account for those extra 20 articles?—The extra 20 according to that statement would be charged against him, and it was because it was so charged and entered in the ledger that the discrepancy was detected. It is a question between the voucher, that is, the demand note upon which the supply is made, and the ledger.

1696. There is nothing more easy than to alter vouchers or ledger afterwards; but what I am concerned with is the stores. Supposing 120 articles where issued where only 100 ought to be issued, and on a survey or on any other occasion you find that 120 have been issued, how do you bring the store officer to account for the 20 which he ought to have and has not?—The check we have on that is this: supposing an officer at a distance sends a demand note for 100 and, upon the honourable Member's assumption, he has 120 ——

1697. No, excuse me; that is not my assumption. I assume he got his 100, but that the storekeeper got rid of another 20?—He could not get rid of 120.

1698. I am assuming that he honours the demand note up to 100, and he embezzles, say, 20?—He cannot do that. You are assuming that the store-keeper took credit for 120, but that he sent away 100 only. But I would point out that with the 100 goes a supply note, and the officer who receives the 100 articles sends that document which he receives with the 100 independently to the office the following morning. Supposing the

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Detailed Test Examination of Store Ledgers, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

man issues 120 and books 120, the original note with the 100 is posted in one book, and the storehouseman books 120 in another book; then the two books are compared at the end of the quarter independently, and any transaction of that kind would be detected.

1699. Would you allow me to imagine that I am a store officer, and you bring me a demand note for 100 articles?—It is brought in duplicate.

1700. That may be. I give you 100 articles and you go away with them. Of the same kind of stores I take 20 and sell them, and embezzle the money and put it in my pocket. How do you check me?—If you at the same time embezzle 20, may I ask what you take credit for in your accounts; for 100 or 120?

1701. It depends upon whether I have access to a ledger that can be altered, or to the vouchers?—You keep your own ledger, and there is a corresponding ledger kept as against you.

1702. There is a ledger outside my office from which my ledger is checked; is that so?—Yes.

1703. Is my ledger afterwards checked against my remain of stores?—Yes.

1704. Every year?—At any moment. The whole stock is always taken, certainly, every three years, but at any moment you may be called upon to show your stock.

Robbery of Metal Articles at Portsmouth, discovered in 1892.

Chairman.

1705. (To Mr. *Gilbert.*) At the end of paragraph 5 the Comptroller and Auditor General says he has made two inquiries; first, as to how the falsification of two sets of records was effected; and, secondly, as to whether a more efficacious method of check upon the improper removal of stores from Dockyards by alteration of police arrangements can be devised. Has the falsification of the two sets of records been explained, and have additional precautions been taken?—Additional precautions have been taken to protect the office ledger from access by anybody but the person authorised to use it; the ledgers are locked up every night.

1706. That answer applies, I presume, to the falsification of the two sets of records?—Yes; we have taken steps to prevent that, and have informed the Comptroller and Auditor General upon the point. We have taken what we hope to be sufficient steps to prevent anything of the kind.

1707. You think that the two sets of records cannot now be falsified?—We think not, because we lock them up every night to guard against any chance of their being touched.

1708. As regards the improper removal of stores what have you to say?—As regards that there is a proposition now under the consideration of the Board in the direction of additional police precautions, and a special search of the men employed.

1709. Has that been carried out?—It has been carried out as an experiment at one Yard, and it is reported to be very satisfactory; but it has not yet been carried out at all the Yards. We hope it will be, but I am not in a position to say definitely that it will be.

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Robbery of Metal Articles at Portsmouth, &c.—*continued.*

Chairman—continued.

Mr. *Webb.*

1710. What was the nature of the articles referred to in this paragraph that were missing to the value of 69*l.*?—They were small metal articles.

1711. Was it supposed that they were resold just for the value of the material?—Yes; I am afraid there is too much reason to suppose that in this case a robbery was actually committed.

Mr. *Alpheus Morton.*

1712. You think, as I gather, that you have adopted arrangements which will in future prevent anybody from falsifying the entries?—I hope so. In this case there was some reason to fear that the man not only falsified his own ledger, but that he got into the central office where the ledger that was kept as a check upon him was kept and falsified that too; so that when the two were compared at the end of the quarter they agreed.

1713. Must there not have been collusion, to render that possible?—No, I think not. The case was thoroughly gone into. This man got into the office at a silent time when people were not in the office. But to obviate anything of that sort all these books are now collected and locked up every night.

1714. As I understand, the Comptroller and Auditor General found this out by his test stock-taking?—No, we found it out by our test stock-taking in conjunction with a comparison of what we call the value ledger.

1715. (To Sir *C. L. Ryan.*) Then the special survey you referred to in this paragraph was not done by you?—No, I do not take stock.

1716. You refer to a special survey of stock which was "consequently ordered;" the paragraph does not say who ordered it?—It would be under the Admiralty. (Mr. *Gilbert.*) I ordered it.

1717. (To Sir *C. L. Ryan.*) I suppose this shows that if there was an independent stock-taking a good many things might be found out?—If the stock-taking was sufficiently extensive; but then that is, of course, a question whether it is worth the money.

1718. Generally speaking, in large businesses they consider it worth the money, do they not?—That is a question I can hardly answer.

1719. (To

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Robbery of Metal Articles at Portsmouth, &c.—*continued.*

Mr. *Arthur O'Connor.*

1719. (To Mr. *Gilbert.*) How was it that this man did not get access to the value ledger as well as to the quantity ledger?—The value ledger was in another office.

1720. He appears to have got access to two quantity ledgers?—Yes.

1721. One of which checked, or was supposed to check the other?—Yes.

1722. Where is the value ledger kept; how does it get to be filled up apart from the quantity ledger?—It is kept by the Expense Account Department. The demand notes go to the Expense Accounts Office and are posted there in the value ledger separately.

1723. Do they affix the value there?—No; the values are inserted in the Store Office, but they are checked in the Expense Accounts Office and posted in the value ledgers.

1724. The Store Office put in the values?—Yes.

1725. From the valuation list?—Yes, from the rate-book.

1726. Are their rates checked?—The rates are fixed by them according to the rate-book; they are checked in the Expense Accounts Office.

1727. What is the use of the Store Office putting the values in?—It is a matter of convenience.

1728. Is it convenient to the storekeeper to put in the value?—Yes.

1729. Does he keep a record of the values himself?—He must know the values, because of course he has to value out all his demands.

1730. Then he must keep a record of the values?—Yes, as affecting demands and estimates.

1731. Is that checked with the ledger values afterwards?—Stock is now valued and checked by the Expense Accounts Office.

1732. Then both his quantities and his values are checked?—Yes.

1733. I suppose his valuations are practically worthless so long as his quantities are right; supposing his values are all wrong and his quantities are right, what happens?—Then the values are checked.

1734. I want to see what is the real value of what appears to me to savour a little of red tape. If you can check the store officers' quantities I do not see why you want to have all the values put in by him?—The document showing the value is the basis for the Expense Account.

1735. Yes; but if you get your demand note and they are sent to some place where the values can be put in as well as checked, I do not see the good of your store officers putting the values in?—That is matter of arrangement.

1736. No wonder it takes a long time for the Admiralty to answer a letter if you get one quantity ledger to check another, and a value ledger to check another ledger kept by the same store officer?—The value ledger is not kept by the store officer.

1737. You say he keeps a record of the values?—He keeps a record of the values only as affecting demands and estimates.

Mr. *Alpheus Morton.*

1738. I suppose he takes the prices at which they are charged to him?—Yes, he must know the prices, because, of course, he requisitions stores as he wants them.

1739. In his valuing how does he come at the value; does he take the same price as that at which they are sent in?—It is fixed by the rate-book.

1740. Does he allow for depreciation in value from year to year if the articles are perishable?—If an article has depreciated before any appropriations upon that account can be made, a survey is held to determine its present value.

Timber accepted at Portsmouth at Full Value although not equal to Standard.

Chairman.

1741. (To Mr. *Gilbert.*) In paragraph 6 the Comptroller and Auditor General says he has inquired whether any explanations have been called for from the inspector of timber at Dantzic as to how the inferior timber came to be accepted; has the inspector been asked for an explanation?—He has, and the Comptroller and Auditor General has been informed of the result by letter since the date of his Report.

1742. What did the inspector say?—I have here the information the Admiralty gave the Comptroller and Auditor General upon the point.

Mr. *Alpheus Morton.*

1743. That is not printed in the Report, is it?—No; it is dated the 13th March of this year.

1744. What did the inspector say as to how he came to pass the timber?—Perhaps I had better read an extract from the letter:

"An explanation has been received from the inspector who was responsible for passing the deals at Dantzic, which is considered satisfactory.

"While the deliveries generally perhaps only represent the minimum requirements under the contract, it cannot be said that the contract has been infringed, or that the inspector has passed deals which do not comply with its requirements; and such defects as existed were not sufficiently serious to cause any loss to the Crown.

"It would be unreasonable to expect that every deal in the many thousands of feet that are passed shall be faultless, and if such a stipulation were made, it would enhance the cost of the

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the deals enormously, without any corresponding benefit to Her Majesty's service. The inspector is therefore allowed a necessary discretion in passing small defects, which do not impair the utility of the deals, which are used for common purposes."

1745. Were the faults in this case trifling faults; I see the paragraph says that "several of them" were "below contract widths, and others were sappy, with large knots"?—We think the inspector, in the exercise of his discretion, was right to pass these deals, looking at them as a large quantity which were presented for purchase.

1746. Were there very few deals defective out of a large quantity?—In proportion we find that it was not excessive. It was considered a proper purchase.

Chairman.

1747. With regard to the Comptroller and Auditor General's further question, may I ask what was the amount of loss in money estimated to have been incurred by this apparent oversight?—I have not the information before me, but I can furnish it to the Committee if desired.

1748. Was it considerable?—I think not, in regard to the total quantity purchased. That is the opinion the Board came to after a consideration of all the circumstances of the case.

1749. It must have been a sum, must it not, very much within the 996*l.* mentioned here?—Yes. The report says they "were accepted at their full value." I do not know that there has been any valuation of what the actual amount of the defects was.

1750. But still the amount must have been trifling, within that sum of 996*l.*?—It must have been comparatively trifling.

1751. The deals were accepted at the full value of nearly 1,000*l.*, and some of those deals were found to be defective?—Yes.

1752. Therefore the loss upon those defects must have been something trifling, within the 1,000*l.*?—Yes, certainly.

Mr. *Webb.*

1753. Still it is evident, is it not, that the officer did not do his duty in the matter?—There has been an investigation into the matter, and the Board have come to the conclusion that he did.

1754. Is he a permanent officer?—He is.

1755. Is he engaged there all the year round at this work alone?—Not all the year round. When he is wanted he is detached for the purpose.

Mr. *Alpheus Morton.*

1756. May I ask what explanation he has given himself; what does the inspector say when called upon for an explanation?—I read the

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Mr. *Alpheus Morton*—continued.

Admiralty decision after considering the report. I do not know whether I am at liberty to repeat the explanation of the inspector.

1757. I want you to read his explanation; you need not read all his letter?—He says, "As regards the breadth of the stage deals the whole of the cargo were of the required breadth, except in a few instances, where they tapered slightly at the tops, as is usually the case with a few deals in each cargo. This cargo contained 2,842 deals or 96,000 running feet. Sap is allowed on stage deals for half the breadth, which was not exceeded, and also the knots were not of such a nature as to render them unserviceable, knots being not objected to provided they are not too large or decayed." Then there is the report of his superior officer, who said, "In view of the very large number of deals included in the delivery in question, the 'several' deals referred to as being narrow, &c., were not considered excessive in so large a consignment, and the remark was only made with a view to the contractor's attention being called to the matter, so as to prevent even so small a number of defective deals being supplied in future."

1758. Who is the superior officer?—What I have quoted was the remark of the officer who had to inspect the deals when they arrived in England. It was he who made this remark for the contractor's information, but not with the view of reflecting upon the inspector who selected the deals.

1759. Who appoints the inspector?—The Admiralty.

1760. Can you tell me who the inspector is?—I do not know what his grade is; he is a junior officer.

1761. What is his business; you say he does not give up his whole time to this inspection?—I imagine he is what we call a foreman in the yard; he is a junior salaried officer.

1762. He does other work, as I understand?—Yes.

1763. If he can get it?—He is always at work in the dockyard. When we want to buy timber at Dantzic we appoint a man whom we think suitable for the purpose, and he goes and selects the consignment; this consignment when it is delivered at the Home Yard is criticised by the surveyor of stores at the yard.

1764. This inspector is sent out to Dantzic, where the timber is, to look at it; is that so?—Yes.

1765. Do the contractors accept him as an arbitrator in the matter?—No.

1766. Does it not say so in the Report, or that his decision is final against you. It says "that no rejections or abatements can be made after deals have been passed by the timber inspector at Dantzic." That makes him the arbitrator, does it not?—Not exactly an arbitrator.

We

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Mr. *Alpheus Morton*—continued.

We authorise this man to go to Dantzic and make the best bargain he can for the Admiralty.

Mr. *Arthur O'Connor.*

1767. You are bound, in fact, by the acts of your agent?—Yes.

Mr. *Alpheus Morton.*

1768. He acts as your agent out there?—Yes.

1769. You understand that he did not think it any harm to accept these deals?—No; he thought it was a good lot of stuff, and it was, I believe.

1770. I suppose he considered he had made allowance in the price for the narrow and the sappy deals?—Yes.

1771. In the letter which you read just now, I think it said that the fact of any being less than the proper width, or being sappy with large knots, did not impair the deals?—I read the explanation given by the inspector on being called upon for a special report on this matter.

1772. Being sappy must surely impair the deals, must it not?—One cannot get a cargo of deals without a certain amount of sap.

1773. Surely you would not be allowed to use those deals in this country?—We did use these deals with great advantage.

1774. Would they cut out the sappy piece?—They always cut it out, I suppose.

1775. Then that would impair that part of the deal?—We paid for what we agreed to take. We empowered this man to go and select a cargo of deals for us.

1776. Whatever is sappy and with too many knots must be thrown away; although you may have allowed for it in the price, surely that impairs the deals?—He said "the knots were not of such a nature as to render them unserviceable, knots being not objected to provided they are not too large or decayed;" and that opinion is endorsed by the officer who criticised his action.

1777. Your officer in this country gives an exactly opposite opinion, does he not, because I gather from this paragraph of the Report he says "several of them were found on survey at the yard to be below contract width, and others were sappy, with large knots"?—I have got here the opinion of the officer you are alluding to, and he says: "In view of the very large number of deals included in the delivery in question, the 'several' deals referred to as being narrow, &c., were not considered excessive in so large a consignment, and the remark was only made with a view to the contractors attention being called to the matter." It was a little extra care on the part of the surveyor.

1778. What would have happened if these bad deals were used for building a ship, or whatever you used them for?—I do not think they were bad. If they were bad in that sense, the constructor who had to use them would have called attention to them, and we have had no complaints on his part.

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Mr. *Alpheus Morton*— continued.

1779. Because apparently he throws them out as useless; he makes firewood of them?—No, I do not think so.

1780. Do you not think he ought to?—I cannot give a professional opinion.

1781. You are not an expert as to sappy timber?—No.

Mr. *Arthur O'Connor.*

1782. (To Sir *C. L. Ryan.*) I should like to ask how you came upon this case?—The Reports of the Surveys are submitted for audit, and on the Report of the Survey this statement was made. I asked for further information, and if that information had been delivered at an earlier period, possibly the paragraph would not have been written.

Receipts given for Stores that have not been Issued.

Chairman.

1783. (To Mr. *Gilbert.*) At the end of paragraph 7, in regard to receipts for stores that have not been issued, the Comptroller and Auditor General remarks that it may be hoped that a certain irregularity which might lead to the misappropriation of stores, and which is a practice of long standing, may now be finally discontinued; will that practice be discontinued?—We hope so; we have given very peremptory orders on the subject. We have called the special attention of the superintendents to the matter, and requested them to take any steps they may consider necessary in order to put a stop to it.

1784. May the Committee believe that it will be discontinued?—I think so.

Sir *Arthur Hayter.*

1785. At the same time for a whole year the attempts to stop the irregularity have been unsuccessful?—There is a large number of men involved in the matter, and they are men whom it is not easy to convince of the importance of not signing the document before they really get the stores. They bring a demand note, and before they remove the articles, they sign the document in anticipation. There is no doubt that is wrong, because they may not get the exact quantity they ask for.

1786. You are satisfied that everything has been done to impress upon them the importance of not signing the demands beforehand?—Yes; we have done all we can to impress it upon them.

Mr. *Alpheus Morton.*

1787. Do you think this practice, which is said to be of long standing, is now discontinued?—I hope so. We can only do our best to put a stop to it, and we think we have stopped it. We have requested the Admiral Superintendent

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Timber accepted at Portsmouth at Full Value, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

to take any measures he thinks necessary to stop it.

1788. (To Sir *C. L. Ryan.*) How did you find this out?—From the examination of the notes.

Mr. *Arthur O'Connor.*

1789. (To Mr. *Gilbert.*) This is again a question of the demand notes, is it not?—Yes.

1790. The storekeeper gets the demand note receipted and he uses it to discharge himself of the goods on the demand note?—The drawer brings it to the storehouseman already receipted.

1791. I am dealing with your store officer, whom I will assume to be a thief, for I want to test your system. On that assumption he receives a demand note ready receipted?—Yes.

1792. He uses that to discharge himself of stores, the value of which he puts in his pocket?—There is a check on that. The man who presents the receipted demand should take away with him what we call one of the demands to the officer who requires to use the stores, and that officer is bound by the instructions to see that he receives what he demands and that it agrees with his note.

1793. I thought you would repeat that answer; but let me refer you to paragraph 5, which relates to articles which were pilfered by degrees up to 69*l.* 9*s.*?—That was a different thing altogether; it was not done in that way.

1794. I daresay it was not, but it is quite conceivable that you may have a demand note in respect of articles of that kind?—Yes.

1795. Those are articles that can be carried away by an individual in small quantities, are they not?—Yes.

1796. That being so, what is to prevent your storekeeper himself carrying the things away in small quantities, having obtained a receipted demand note, against which no proper issue has been made?—I do not quite follow the honourable Member. For every demand that he receives there must be a corresponding note sent to the office, not to the storehouseman holding in custody that material, but a corresponding note that is posted in an independent ledger. It is by a comparison of the results of that ledger with the storehouseman's ledger that anything of this kind would be detected.

1797. But, as a matter of fact, the practice does not agree with the theory, does it. We have cases here, going over a long time, of store officers accepting receipt demand notes against which no issues are made?—It is not, as the honourable Member puts it, "against which no issues are made"; that is not the point.

1798. Let us not get confused in details. If you will look at the middle of paragraph 7, two cases at Chatham are referred to, where signed demands for coals which should have been cancelled were inadvertently treated as if the coal had actually been issued. Let us establish the fact first. The demand note is receipted; that is admitted, is it not?—Yes.

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Timber accepted at Portsmouth at Full Value, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

1799. For coals not issued; that is also admitted?—Yes.

1800. Now, I have got the situation; the demand note receipted is taken by the store officer?—Yes.

1801. And no issue of stores is properly made in respect of that demand note?—Yes; but the case of coals is rather an exceptional case.

1802. Is it not quite as easy to write the word "coals" on a piece of paper as any other word?—Even in regard to coals the system as it is now is calculated to detect such an irregularity as is suggested.

1803. I only instance that case to show that demand notes receipted were accepted where no similar issue was actually made. That being the situation, I want to know, with regard to the small articles mentioned in paragraph 5, what is to prevent a store officer from taking a receipted demand note and himself removing in small quantities such articles as are therein mentioned?—If the system is carried out, it would prevent that, because the officer who nominally receives the stores should point out that he did not receive them. The storehouseman cannot get credit finally without a corresponding credit being given him in an independent ledger.

1804. I will take you at once to the point I want to lead you up to: when these receipted demand notes are brought in, surely the store officer taking them and keeping them is a great deal more to blame than the ignorant man, or the impatient man who signs before he has got the full issue?—I do not know about that, because the officer who demands the stores is of a higher status than the storehouseman who issues the stores.

1805. Yes; but the store officer is the officer entrusted with the safe custody of the goods, is he not?—Yes.

1806. He takes discharge vouchers, not having issued stores against them, which is a breach of trust, is it not?—Certainly it would be.

1807. How do you deal with an officer who takes these receipted demand notes in this way?—We should caution him that any repetition of the thing would be treated in a most serious manner.

1808. Surely the point to be dealt with is the conduct of the store officer, is it not?—You have to consider not only him; you must rely also upon the officer who receives the stores, or who should receive the stores, and who should point out that he did not receive the stores.

1809. *Ex hypothesi* he has begun by acknowledging that he has received the whole lot of them before he has received half of them?—He should not do so.

1810. Surely the store officer is the man to look to, is he not, not the requisitioning officer?—We must look to both, from the Admiralty point of view.

2 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Gilbert. [*Continued.*

DOCKYARD EXPENSE ACCOUNTS, 1892-93.

Foreign Yard Accounts.

Chairman.

1811. (To Mr. *Gilbert.*) You will observe that the Comptroller and Auditor General states in paragraph 7 of his Report on the Accounts that he has been informed that steps have been taken, with the sanction of the Treasury, to place the storehouse staff at Hong Kong on a more satisfactory footing; are you confident that better results will be attained within a reasonable time by this improvement of the staff?—I have every reason to hope better results will come about. The Treasury have sanctioned our proposal, and we are going to have there a few more trained men on the establishment, with a pension at stake and interchangeable with the staff of the Home Yards, instead of hiring the whole locally. The men were kept too long at the station, and they were injured in health, and, no doubt, their duties were not discharged properly.

Mr. *Alpheus Morton.*

1812. Are they your own officers at Hong Kong?—Yes; these are our own storehouse men locally engaged at Hong Kong.

1813. Are you going now to have more of them; or what is it that you propose?—What we have done is to send the men from England for a limited period of time. We find if we keep men too long at Hong Kong, especially if they are hired men who have no right to come back to England, and who hang on too long, they are injured in health, and then, of course, their work must suffer.

Mr. *Alpheus Morton*—continued.

1814. Now, as I understand, you are going to have a regular change of staff?—Yes.

1815. How long do you propose to keep the men out there?—About three years; I think they engage for three years. They might stay longer, if, at the end of three years, they were found to be well and reported upon as fit to remain there longer. This is not in regard to all the staff; we are trying it by establishing four instead of two men out of a total of eight, improving their classification by raising the ordinary pay and giving them a right to return to England if they wish it at the end of three years.

1816. At the end of three years what would happen to them?—They might come back and take up a corresponding position in a Home Yard, and we should send out another man.

1817. They come back at the end of three years, you say?—Yes, at the end of the time they engage for; I believe it is three years.

1818. But you may keep them a longer time?—Yes, if they are willing to stop, and fit to remain.

VICTUALLING YARD STORES.

Works Department Stores.

Chairman.

1819. (To Mr. *Gilbert.*) In the absence of the Director of Works, I understand, you are prepared to give the Committee an explanation with regard to the point raised by the Comptroller and Auditor General in paragraph 13. You observe the Comptroller and Auditor General say, "It is highly desirable, in the case of test-audit, that the scope of criticism should not be restricted to the earlier portions of a financial year, as adjustments which require more careful consideration occur most frequently in the later periods;" what have you to say to that?—The test-audit has been extended to the later periods. Apparently the Director of Works agrees to the view there expressed, and they will extend the test-audit.

Chairman—continued.

1820. Then I understand the Director of Works accepts the Comptroller and Auditor General's view and will carry it out?—I take it to be so.

Mr. *Alpheus Morton.*

1821. (To Sir *C. L. Ryan.*) Are you satisfied with that?—I understand that we have practically an assurance that the Accounts will be delivered earlier, so as to enable the test-audit to be applied to the earlier portion of the Account. (Mr. *Gilbert.*) I take that to be so.

Further consideration of Victualling Yard Stores Accounts postponed.

VICTUALLING YARD MANUFACTURING ACCOUNTS.

No Questions.

[The Witnesses withdrew.

Wednesday, 9th May 1894.

MEMBERS PRESENT:

Mr. Hanbury.
Sir Arthur Hayter.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Sir Richard Temple.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

STORE ACCOUNTS OF THE NAVY.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Mr. H. T. R. YORKE, called in; and Examined.

VICTUALLING YARD STORES.

VALUE OF STOCK AT 31ST MARCH 1893.

Chairman.

1822. (To Mr. *Yorke.*) At the end of paragraph 9, with regard to the value of stock on the 31st March 1893, the Comptroller and Auditor General states that he has requested to be furnished with further explanations, and he is inclined to think that a statement would be useful in addition to the general explanation now given; have you got such a statement?—We have not. We have answered the Comptroller and Auditor General on the subject, and pointed out to him that we are unable to furnish such a statement as he asks us for.

1823. Why are you not able to furnish such a statement?—Because we do not keep the accounts in such detail as to enable us to answer that question.

1824. Ought you not to do so?—The Admiralty view is that it is not worth the expenditure that would be necessary.

1825. Not to enable you to ascertain the value of stock on a given date?—We have a Stock Valuation Return made out; but as far as the Admiralty is concerned we do not require any more information on the subject of values. We have, of course, a correct statement of our stocks as stocks.

1826. (To Sir *C. L. Ryan.*) After hearing what Mr. Yorke says, do you adhere to the opinion expressed in your Report?—If the Admiralty are unable to give the information without instituting fresh accounts for the purpose, I am not disposed to press the point. I thought they would be able from their books to give this information in the shape of a tabular statement, as well as a mere general explanation, and I thought if a tabular statement could be given it would be a more satisfactory statement to Parliament of the differences.

Chairman—continued.

1827. But considering that Mr. Yorke says that they cannot do it without instituting fresh accounts, do you still press the point?—I do not wish to press the point.

1828. You do not think it of material importance?—I think it would be desirable to have such a statement, but I do not think it worth while to incur any considerable expense for the purpose of doing it.

1829. (To Mr. *Yorke.*) Would it involve expense to give effect to what the Comptroller and Auditor General suggests in this paragraph?—The matter has been considered by the Admiralty, and it would involve additional expense.

Mr. *Mowbray.*

1830. Have you made any estimate of what the additional expense would be?—I think the estimate we made was to render what are called Expense Accounts, which would, of course, be considerably larger than the particular statement which the Comptroller and Auditor General has asked for. The estimate made was roughly 1,200*l.* a year.

1831. Did you submit the estimate to the Comptroller and Auditor General; was that part of your case submitted to him?—No. The Admiralty considered the question, and replied.

Mr. *Alpheus Morton.*

1832. Did the Admiralty send any reply to the Comptroller and Auditor General on this question?—Yes.

1833. Is

9 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Yorke. [*Continued.*

Store Accounts of the Navy.

Value of Stock at 31st March 1893—*continued.*

Mr. *Alpheus Morton*—continued.

1833. Is it set out in the report before us?—I do not think it is printed.

1834. (To Sir *C. L. Ryan.*) Have you had a reply?—Yes, subsequent to the date of my Report.

1835. (To Mr. *Yorke.*) Will you read the reply you sent, if you have got it?—This letter I have before me does not answer this particular point with regard to this statement. I thought there was a reply from the Admiralty on this point, but I have not got it here. What I have here is the reply to the Comptroller and Auditor General, who says, "This increase is stated to be due to increase in the stock necessitated by the increased number of men and ships. Taking the chief Store Sub-Heads of Vote 2, it is observed that the expenditure under that Vote in 1892–93 would apparently lead to the expectation of a decrease in stock amounting to (say) 27,000*l.*, as there is a large saving of 53,791*l.* under 'Provisions,' which apparently implies a reduction of stock, only partially met by a deficit under 'Seamen's Clothing' of 26,606*l.*, which implies an increase in stock. It is requested that it may be stated whether it is to be inferred that the increase is attributable in whole, or part, to stores delivered but not paid for prior to the 31st March 1893." The answer of the Admiralty was, that "In preparing the Estimates for 1892–93 provision was made for an increase of stock. The increase is partly attributable to stores delivered but not paid for prior to 31st March 1893, but not to a large extent, as, by the ruling of the Treasury, stores demanded for 1893–94 matured for payment were paid for before the 31st March."

1836. Is that the answer to the request of the Comptroller and Auditor General for this further statement?—No, it is not. I believe there was an answer to that, but I have not got it here.

1837. (To Sir *C. L. Ryan.*) Have you got any reply on that point from the Admiralty?—There has not been any official answer as to the point whether a statement should be delivered or not. We were given to understand what the view of the Admiralty was, but there has been no official answer. (Mr. *Yorke.*) I am sorry if I made a mistake. I thought we had sent an answer.

1838. You say that the Admiralty considered the matter formally?—Yes.

1839. I suppose there was something in writing with regard to their opinion?—Yes.

Chairman.

1840. But the substance of it you have given in evidence, I understand?—The substance I have given in evidence. But, if the Committee would allow me, I should like to put in the Admiralty reply afterwards; because I was apparently under the mistake that that point was distinctly answered.

Store Accounts of the Navy.

Value of Stock at 31st March 1893—*continued.*

Mr. *Alpheus Morton.*

1841. You mean, I presume, that you would put it in another day?—If I might be allowed, I will send it to the Committee.

Chairman.

1842. Then we understand you will send it later?—Yes. (*Vide* App. No. 4.)

Mr. *Alpheus Morton.*

1843. (To Sir *C. L. Ryan.*) Would such a statement as you refer to be of value to you in checking this matter?—It is rather a question of giving in a more definite shape the information to Parliament, than of its being of value to me.

1844. You consider that the information might be useful to Members of Parliament?—I thought so, but I am not prepared to say that any considerable expenditure should be incurred for the purpose of getting it.

1845. You hardly think it worth 1,200*l.* a year?—The estimate of 1,200*l.* per annum includes a great deal more. This would be only a small part of what that would represent.

1846. (To Mr. *Yorke.*) What is the estimate with regard to this small matter; is it 1,200*l.* per annum?—No; from the point of view which the Admiralty take of this matter it would be the commencement of these Expense Accounts, and, therefore, while with regard to this particular question, we could not say exactly what it would cost, it seems to the Admiralty that it must lead on further to Expense Accounts, and the question of Expense Accounts as a whole they have considered, and they do not consider them worth the expense their institution would involve.

1847. It would give information to Parliament, would it not?—It would give information to Parliament in the point of view of money; but it is entirely in the power of the Comptroller and Auditor General to satisfy himself as to the quantities of stock we have at any time.

1848. You have heard the Comptroller and Auditor General say, have you not, that this statement would be useful rather from the point of view of giving Parliament information than for his own guidance?—Yes.

1849. It would give information, you agree?—It would give information, no doubt; but I do not think it would be information of any value.

1850. Then you differ from the Comptroller and Auditor General there?—I think so. At any time Parliament, or the Comptroller and Auditor General, can satisfy themselves as to the quantities of stock that we have, and the quantities we ought to have.

1851. The point is whether this is information which would be useful to Parliament to enable them to consider this matter?—It is only a personal opinion that I can give; but, personally, I should not have thought it was.

Store Accounts of the Navy.

Abstracts of Losses and Condemnations of Victualling Stores.

Chairman.

1852. (To Mr. *Yorke.*) In the concluding sentence of paragraph 10, regarding the condemnation of Victualling Stores, the Comptroller and Auditor General says that "the condemnations should have been referred to the Treasury before they were finally disposed of, as involving public losses for which some person or persons should apparently have been held responsible." What have you to say upon those two points; why were they not referred to the Treasury; and have persons been held responsible for those losses?—The reason why they were not referred to the Treasury in the first instance was because, in my opinion, it was not a case that need have gone to the Treasury. The matter is a little bit involved as to what cases should or should not go, and, acting on my own opinion, I did not propose to the Board to send this particular case to the Treasury. But we afterwards received a letter from the Comptroller and Auditor General, who pointed out that in his opinion it should have gone to the Treasury, and then the matter was brought before the Board of Admiralty, who, after some consideration, decided that it should go to the Treasury. Accordingly, a letter was written to the Treasury setting forth the whole facts of the case, and a reply was received from the Treasury agreeing to this sum being written off.

1853. Has blame been attached to any person or persons, and have they been held responsible?—No; it was explained to the Treasury that it was impossible to attach blame to any particular person. This must have occurred through neglect somewhere, but it was impossible for the Admiralty to definitely say who was the person to blame. If the Admiralty had been satisfied that any individual person was to blame, they would naturally have gone to the Treasury before approving of the condemnation.

1854. Presumably the Admiralty inquired as much as they could?—The Admiralty inquired very exhaustively into the subject, and they failed to attach blame to any person.

1855. Though there is no doubt that blame was incurred somewhere?—Blame must have been incurred somewhere.

1856. Should you say severe blame?—No, I think not.

1857. That is to say was the blame in the nature of neglect?—May I explain that what must have happened was, either that the pork when it was delivered was not quite in a fit and proper condition to receive, or it may have happened that after it was received certain neglect took place at the Royal Alexandra Yard, Haulbowline, in not keeping the casks properly filled up with pickle, or they may have been properly filled up when they were there, but were not when they went to the Royal William Yard at Plymouth.

1858. Do you mean it was due to a defect in pickling?—It may have been either a defect in keeping the casks properly filled up with pickle, or the meat was not quite what it should have been when it was received. It was on that point that the Admiralty were quite unable to say where the blame should rest.

1859. (To Mr. *Ryder.*) Have you anything to say upon this point?—I can confirm the statement that the Treasury did sanction the writing off of this loss. It was impossible to say whether the contractors were to blame or whether the Admiralty officials were to blame; therefore, the Treasury felt that there was no alternative but to write off the loss.

Sir *Arthur Hayter.*

1860. (To Mr. *Yorke.*) I suppose after this case you will in future refer these losses to the Treasury before writing them off?—Certainly.

Mr. *Alpheus Morton.*

1861. Did you get a certificate from some officer when the pork was delivered?—Yes.

1862. Have you got that certificate here?—I have not got it here. It is the duty of a certain officer to examine this pork, and either to accept or reject it; sometimes he accepts and sometimes he rejects.

1863. Do you think that officer did his duty in this case?—That is the point it is impossible for me to give an opinion upon.

1864. Is it impossible to find out whether he generally does his duty well or not?—I can say as much as this, that it is the first time this has ever occurred.

1865. Have the contractors ever delivered bad pork before?—Rejections of pork take place, I was going to say, on every delivery, but I may say very frequently.

1866. Your difficulty now is that you do not know whom to put the blame upon, the contractor, or your official, or somebody in the yard?—We do not know which of our officers to put blame upon.

1867. But you are not certain whether the pork was delivered right, as I understand?—No; but the blame would fall upon the officer who accepted it if we were satisfied that it was not in a proper condition to be received.

1868. Or upon the officer in the yard?—Yes.

1869. You cannot make up your mind who is to blame?—No; we have inquired as exhaustively as possible, and the Admiralty were unable to attach blame to anyone.

1870. There is a remark by the Comptroller and Auditor General at the end of paragraph 10, to the effect that "the condemnations should have been referred to the Treasury before they were finally disposed of;" why did you not do that?—I have already explained that point; shall I explain it again.

1871. I shall

9 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Yorke. [*Continued.*

Store Accounts of the Navy.

Abstract of Losses and Condemnations of Victualling Stores—*continued.*

Mr. *Alpheus Morton*—continued.

1871. I shall be glad if you will do so, as it was not clear to my mind?—The case originally came to me, and it was my duty to bring it before the Board of Admiralty. I brought it before the Board of Admiralty and they decided that the loss could not be attributed to any particular person, and, that, therefore, the writing off of the condemnation should be approved. I thought at that time it was not a case which should go to the Treasury, and accordingly I did not propose to the Board of Admiralty to send it to the Treasury; but when the Comptroller and Auditor General pointed out that it was a case

Store Accounts of the Navy.

Abstract of Losses and Condemnations of Victualling Stores—*continued.*

Mr. *Alpheus Morton*—continued.

that he thought should go to the Treasury, it became my duty to bring the question before the Board again with the Comptroller and Auditor General's opinion, and the Board, after some consideration, decided that it should go to the Treasury, and it went to the Treasury.

1872. It was sent to the Treasury after you got the Comptroller and Auditor General's opinion?—Yes.

1873. (To Sir *C. L. Ryan.*) You are satisfied now?—Yes.

[Mr. *Yorke* withdrew.

Colonel Frederic Vincent G. Bird, called in; and Examined.

Losses arising from Condemnation of Trousers at Marine Divisions.

Mr. *Alpheus Morton.*

1874. What is the meaning of the note in the margin on paragraph 11 of the Comptroller and Auditor General's Report: "Inspection of made-up garments and the payment to master tailors of a percentage on cloth saved in cutting;" does that refer to some amount you have to pay as percentage to your own officers?—Yes, to the master tailors; it is 25 per cent. of the savings of cloth; that is to say, if 100 yards of cloth is given to a master tailor to make 100 garments and he can make them with 90 yards, he gets 25 per cent. of the savings.

1875. You remember, no doubt, last Session the scandal that occurred with regard to some master tailors at Canterbury?—No, I cannot say that I do.

Mr. *Alpheus Morton*—continued.

1876. There was some charge that they sold the ends to people in the city?—Yes.

1877. Have you got an arrangement which prevents all that sort of thing?—Yes, we have very stringent regulations to prevent any possibility of there being any private sale at all of savings.

1878. Does the master tailor have the selling of these ends?—No; it is sent to the local victualling yards and sold by public auction, and the value is credited to the public; 25 per cent. of the value is paid to the master tailor. We know what the value of the savings is, and he gets 25 per cent. of that value.

1879. He cannot sell anything privately himself?—Absolutely nothing.

[Colonel *Bird* withdrew.

Stores issued for the Relief of the Sufferers by the Fire at St. John's, Newfoundland.

Mr. *Alpheus Morton.*

1880. (To Sir *C. L. Ryan.*) With regard to the expenses incurred by the issue of stores for the relief of the sufferers by the fire at Newfoundland, I understand there have been Supplementary Estimates for all those expenses?—Yes, all those that it was considered required to be replaced.

1881. So far as you know, there has been nothing advanced to Newfoundland that has not been covered by a Supplementary Estimate for either of the services?—There are some stores that do not require to be replaced, and those they have not taken a Supplementary Estimate for, as I understand.

1882. Could you tell me what those stores are?—No.

1883. Is there anybody who could tell the Committee what stores have been advanced to Newfoundland, for which a Supplementary Estimate has not been taken?—The Director of Stores is not here, but the Treasury will perhaps be able to answer the question.

Mr. *Alpheus Morton*—continued.

1884. (To Mr. *Ryder.*) Could you give me an answer to that question?—I understand the answer to that question is 1,384*l.* 11*s.* 2*d.*, as stated in the paragraph and on page 18 of the Account. The stores were "old and obsolete," and therefore had not to be replaced.

1885. Then the 1,384*l.* 11*s.* 2*d.* is not in the Supplementary Vote?—No, it does not come under the Supplementary Vote.

1886. Where shall I find this in the Account?—On page 18.

1887. Why was it net put into the Supplementary

Store Accounts of the Navy.

Stores issued for the Relief of the Sufferers by the Fire at St. John's, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

mentary Vote?—Because the Department did not require the money to buy fresh stores to replace them, and therefore the Treasury decided that it would be enough to record the gift on the face of the account.

1888. Some one valued them at 1,384*l.*?—Yes.

1889. Would it not have been wiser to have put that in the Supplementary Estimate along with the rest?—The Admiralty did not require the money; therefore it was thought to be enough to record the gift as one made in kind.

1890. But they were stores belonging to the Navy, were they not?—Certainly.

1891. Therefore the money had been voted as for the Navy previously?—At some previous time, no doubt.

1892. Do you not think, then, that the Navy ought to have credit for that amount in the accounts?—The Navy represented that they did

Store Accounts of the Navy.

Stores issued for the Relief of the Sufferers by the Fire at St. John's, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

not require the money; that these were old stores which need not be replaced, and therefore it was enough to tell Parliament of the gift of the stores.

1893. Supposing the Navy sold old stores to Brown, Jones, and Robinson, the money they received would go to the credit of their account, would it not?—Yes; no doubt they forfeited a certain amount of Appropriations in Aid.

1894. Why was not credit given to them here in the same way?—Simply because it was not considered necessary to let them have the money; they did not consider it so themselves.

1895. Would it not be wiser to let Parliament know what is going on?—Parliament is told of the matter through the medium of the foot-note.

1896. (To Sir *C. L. Ryan.*) Do you not think that this ought to have been put in a Supplementary Estimate?—According to the present practice that would not be necessary.

Colonel Thales Pease, C.B., called in; and Examined.

Naval Ordnance Store Accounts.

Alterations in Remain of Gunners' Stores after Survey by Officers.

Mr. *Arthur O'Connor.*

1897. At a previous meeting of the Committee I asked the Director of Naval Ordnance, or the Accountant General, with regard to the stock-taking on board vessels, and I was told that not civil officers but navigation officers took remains?—Yes.

1898. I see it is stated in this Report that certain corrections were made in remains, or in the returns regarding surveys of stores on board ships, but, on the Comptroller and Auditor General making an observation upon those corrections, the answer was that such cases must almost necessarily arise, "as the surveying officers are not infallible, and invariably perform their duties under difficulties peculiar to stock-taking on board ships which do not obtain with stocktakings on shore;" what are those special difficulties?—The difficulty, first, is this: to anyone who has been on board a man-of-war and has seen the small space restricted for a ship's magazine, the difficulty they have to contend with in arranging all the stores would be at once apparent, and as the surveying officers must carry on their duties in this magazine, it is apparent that, as the work must all be done by artificial light, there must very often be great difficulty in arriving at a correct statement of the stores.

1899. The surveying officers are navigating officers, are they not?—They are not necessarily navigating officers. It is generally a lieutenant, a navigating lieutenant, and a warrant

Mr. *Arthur O'Connor*—continued.

officer; so that there may be three classes represented.

1900. Would you agree with a preceding witness, that there would be disadvantage attaching to having certain civilian officers to check these remains afloat?—These remains that are held afloat are held in all parts of the world, and civilian officers would not be available for them. civilian officers could be sent; but I question whether it would be advisable to do so.

1901. I suppose they are held in port, as a rule?—Not at all; they are held annually, and always on the transfer of the stores from one gunner to another.

1902. Does that take place when they are actually on a cruise?—The annual surveys would probably take place on a cruise when they would have more time than when they were in harbour. As regards the change of gunners, that might take place when they are in the fleet.

1903. Would you see any objection to having civilian stock-takers to check these things?—Not the slightest, any more than there would be in taking the balance of cash.

1904. But, as a matter of fact, it is not done, I understand?—It is not done.

1905. Your own observation upon these officers who did take the survey now is that they are "not infallible"?—We may be all classed in that category.

1906. It appears rather a truism; but the fact appears to be that returns having been made, certain

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Store Accounts of the Navy.

Alterations in Remain of Gunners' Stores, &c. —*continued.*

Mr. *Arthur O'Connor*—continued.

certain corrections have been made in those returns such as to call for observation by the Comptroller and Auditor General?—I think I might observe there that during the last two years the examination of these accounts has been taken over by the Admiralty, and perhaps there has been a greater effect taken on the scrutiny exercised under the Admiralty than there was in former times, and thereby perhaps more things have come to light than otherwise would have appeared.

1907. The system was a little lax in the old days?—I think in former times, if the War Office found defects in the account, they would appeal to the Admiralty whether the account should be passed; but there is no such thing as an appeal now; it is only appealing from Cæsar to Cæsar. The Admiralty have to do it themselves, subject to the approval of the Comptroller and Auditor General.

1908. In the old days you refer to who made the survey?—The survey was made on board, as it is at the present time.

1909. By whom?—The officers of the ship.

1910. What is the alteration now introduced?—The examination of the accounts.

1911. I do not follow you?—The auditing of the accounts.

1912. As I gather from this paragraph, there is an examination in the Department of the Storekeeper General prior to audit; is that so?—Yes, prior to the audit by the Comptroller and Auditor General.

1913. Upon that examination, and as a consequence of it, there were certain corrections made in the accounts called gunners' accounts; is not that what the paragraph says?—Yes.

1914. By whom were those corrections made?—By the gunner. After surveying perhaps, in going through his stores again, he finds out that there are some deficiences or surpluses which had not been noted at the original survey. He makes a report of them, and obtains authority to bring them on charge, or sometimes he brings them on charge, and leaves the thing to be worked out when the examination takes place in my office.

1915. The effect of these alterations is, is it not, that a further alteration has to be made in the remaind of stores as certified by the surveying officer?—Yes.

1916. Then what is the value of the certificate of the surveying officer?—The only value put to it is that they do the survey to the best of their ability.

1917. At all events it is found that their certificates require to be altered by the very men apparently whom they have to check?—I do not quite gather that.

1918. Does the certificates of the surveying officers have to be altered on representations made by the very officers or storekeepers whom they are to check?—No; the corrections are

Store Accounts of the Navy.

Alterations in Remain of Gunners' Stores, &c. —*continued.*

Mr. *Arthur O'Connor*—continued.

made after re-survey by the gunner himself, as a rule.

1919. That is the very man who has to be checked, is it not; they are gunners' accounts?—Yes; but if a man finds that he has more stores than were included in the original survey, you may be perfectly certain he has them on board, and, therefore, as regards bringing on a surplus, there is not likely to be any error on that point.

1920. Quite so; but supposing it were a deficiency?—The deficiency would be scrutinised, and, except it was a question of stores that were expendible, he would be called upon for a very searching report in the matter.

1921. At all events, as I gather from this paragraph, we have this position, that certain surveyors presented even to the eyes of the Admiralty, as one notable characteristic, fallibility, according to the language quoted here, and their certificates had to be altered, and altered upon the representation of the very officials whose accounts or whose stores they were to check. Now, the point I want to put to you is the same as I put to the Accountant General, or to the Director of Stores, on a previous occasion; would it be possible to get other officers who are accustomed to this kind of work, who could take the remain of stores on board ship as well as on land?—Yes, it would be possible, but it would be a question of expense.

1922. You do not see any objection to that?—As regards whether there would be any objection to it or not, I think that is a point upon which, if the Director of Naval Ordnance or Board of Admiralty gave an opinion differing from mine, I should not like to express my views.

1923. These are Naval Ordnance Stores, as I understand; is the Director of Naval Ordnance here?—No.

1924. (To Sir *C. L. Ryan.*) Have you any further observation to make upon this point?—I have nothing further to say. (Colonel *Pease.*) There is one other observation which I should like to add in connection with these accounts. You will see in the second sub-paragraph of paragraph 15 the Comptroller and Auditor General says, "The results call for no special remark."

1925. That is not in reference to the stock-taking of stores afloat, is it?—No. The Report says that the test examination has covered more ground than formerly.

1926. That has reference to the depôts, has it not?—Yes.

Mr. *Alpheus Morton.*

1927. This stock-taking is not at all independent of the Admiralty, I understand?—No; it is done by naval officers.

1928. Therefore it is liable to error, I suppose, if they are taking stock against themselves?—

9 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Colonel Pease, C.B. [*Continued.*

STORE ACCOUNTS OF THE NAVY.

Alterations in Remain of Gunners' Stores, &c. —*continued.*

Mr. *Alpheus Morton*—continued.

There is only this, that the officers taking the stock are not interested in the correctness of it, and therefore there would be no reason why they should wish to show it in any other light than as it really existed.

1929. Still it is all under one Department; the officers who take the stock are the same class of people, are they not?—No, they are not the same as my officers; my officers are civilians.

1930. (To Sir *C. L. Ryan.*) Are you of opinion that this is one of the cases where independent stock-keeping might also be advisable?—I cannot express any opinion upon that.

1931. Would it be a better check?—I do not know; I cannot say.

1932. But, speaking generally, would it be a better check?—It is hardly a question I can give an opinion upon as to whether it would be desirable to effect a change.

1933. I am not asking that, but whether you do not think that an independent stock-taking would be more correct as a test?—I really do not know. The difficulty is in the conditions under which the duty is done, the small space available, and so on.

Chairman.

1934. I understand you think that it does not fall within your functions?—Quite so.

Mr. *Alpheus Morton.*

1935. I was not asking that. You misunderstood my question, and therefore put it in another way, and I asked you whether, supposing it was taken independently it would be better as a check?—It would depend upon the conditions under which it was done and the extent to which it was done. I cannot give a definite answer to that question.

[Colonel *Pease* withdrew.

DOCKYARD EXPENSE AND MANUFACTURING ACCOUNTS.

Mr. GORDON W. MILLER, called in; and Examined.

EXAMINATION OF HOME YARD ACCOUNTS, TEST COMPARISON OF STOCK VALUATION, AND STORE LEDGERS.

Chairman.

1936. THE Comptroller and Auditor General states, at the end of paragraph 1, that certain Reports submitted to his Department indicate that errors have occurred in the books recording quantities and values, and he then proceeds to say that he is informed by the Admiralty that in future the test comparisons which appear to be usefully meeting the purpose for which they were designed, will be found to be distributed more evenly over all Home Yards; have you any remarks to make to the Committee upon those points?—As I understand it, the Comptroller and Auditor General's objection has been that we have applied this test comparison between the quantity and the value ledgers in only two Dockyards, instead of spreading it more generally. We have undertaken in future to apply this test comparison more evenly over the whole of the Home Yards, instead of confining it (as it was necessary to do this year) to Chatham and Portsmouth only.

1937. Then may the Committee understand that this will be done?—It will be done. The Treasury have approved of the appointment of a special official for the purpose, and as soon as he can be appointed he will commence the work.

1938. Will it effectually prevent the errors to which the Comptroller and Auditor General refers?—It will tend to the effect of discovering more errors. The object of the Stock Valuation Account is to afford a means of comparison between the money values of the stores received or issued and the quantities posted in the store ledgers; and the more we apply the test the more possible it is that we shall discover mistakes.

1939. If it discovers errors it will be a mode of prevention, will it not?—It is a mode of bringing errors to light and adjusting them. Of course many errors must occur in the multitude of postings that have to be made. Perhaps if I read an extract from the report of Messrs. Waterhouse and Mills about this account, the object of the account will be clear.

Mr. *Arthur O'Connor.*

1940. Is that Mr. Waterhouse of the well-known firm of accountants in the city?—Yes; and Mr. Mills is the Assistant Comptroller and Auditor. It is said in their report, "We now come to the point of the abolition of the check of the Accountant General upon the storekeepers' books. The store ledgers, which it must be still borne in mind, record quantities only, are kept in duplicate, one set by the storehouseman in actual custody

9 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Miller. [*Continued.*

DOCKYARD EXPENSE, &c. ACCOUNTS.

Examination of Home Yard Accounts, &c. —*continued.*

DOCKYARD EXPENSE, &c. ACCOUNTS.

Examination of Home Yard Accounts, &c. —*continued.*

Mr. *Arthur O'Connor* –continued.

custody of the stores in the respective buildings in which they are kept, and the other by clerks in the office of the storekeeper himself; the duplicate entries being made from the same documents, or from press copies thereof" (I think the Director of Stores explained that the other day). "This duplicate method of record is considered to be more convenient for the purposes of the storekeepers' check upon the storehousemen than a system of direct examination of the entries in the books of the latter; and though we have been disposed to entertain some doubt upon this point, it is not, upon the whole, of such importance as to lead us to press our opinion; subject to the remark (to which we may again have to allude) that the practice must be understood to serve the purpose of the storekeeper only, and not to afford any check upon that officer himself. The Accountant General's officers at the Dockyards formerly checked the entries in the storekeepers' ledgers, and they further took part with the officer representing the storekeeper in the survey or inspection of the actual balances of stores, and in the comparison of these with the balances shown by the storekeepers' ledgers. Of these duties the Accountant General was relieved in 1886, and there has since been no independent departmental examination of the storekeepers' books" (this was written in 1889). "Some such independent examination would, in our opinion, certainly have been necessary, but for the establishment in the Expense Accounts Office of the extended form of Stock Valuation Account which we have described." "It will be obvious, then, that the Stock Valuation Account, in addition to its use in relation to the Expense Accounts, constitutes a substantially complete means of check upon the several balances of quantities shown in the storekeepers' ledgers, and therefore answers the purpose of a separate examination of the storekeepers' books. We do not think that anything further in this direction, within the Admiralty itself, is called for." It is because the value ledger affords a means of check upon the store ledger, and the store ledger upon the value ledger, that we effect these comparisons as frequently as we possibly can, with the staff allowed for the purpose.

Mr. *Alpheus Morton.*

1941. All these test comparisons of stock-taking are done by officers appointed by the Admiralty, are they not?—Stock-taking is a separate process altogether, for which the Director of Stores is entirely responsible.

1942. These test comparisons, as I understand, are really stock-taking to some extent?—We make value comparisons, and possibly the comparisons result in showing that the two books are accurate; but should any difference occur, we have an arrangement between the Expense Account Department and the Store Department

Mr. *Alpheus Morton*—continued.

that stock is immediately taken of the article, if it is not possible to clear up the discrepancy otherwise.

1943. Are those gentlemen who make those comparisons appointed by your Department?—They are under the Admiralty; they are part of the staff of the Admiralty.

1944. Where do you get the men from; are they appointed from the staff?—Not from the Store staff, of which they are entirely independent. If the stock is taken in such cases representatives of the Store and Expense Accounts Departments would be present.

1945. Where are the men brought from who take the comparison?—It is intended to appoint an Assistant Expense Account officer; possibly he may be selected from gentlemen already in the service, or he may enter the service as the result of public competition.

1946. Will his duty be solely to make these comparisons?—He will be solely employed upon these duties, and proceed from one yard to another, working in conjunction with the representative of the Director of Stores from the Admiralty, but independently of him.

1947. As a real check, would it not be better that this comparison should be made by somebody independent of the Admiralty?—I do not not know that it would be better done. Whether stock-taking is better done by officers who are not connected with the Admiralty than it would be by officers of the Admiralty, is a question upon which there may be many opinions.

1948. Is it not something like checking your own accounts?—We should perhaps be open to that interpretation of our position, were it not for the fact that the procedure is followed very closely by the Comptroller and Auditor General.

1949. But his officers never make any test stock-taking or comparison, do they?—I think they do not; although in every other respect the audit is in close touch with Dockyard accounting.

1950. If his officers do not make any test comparison how can he follow it?—He can follow the reports of the officers who make the comparison between the quantity and the value ledger. He sees their reports, and can follow the transactions in the books.

1951. Of course they are all your own officers?—They are our own officers; but the Expense Accounts officer who goes from the Admiralty is independent of the Dockyard officers and of the Store Department. It was made a condition of his appointment that he should be associated with the Admiralty and not with the Dockyard.

1952. I suppose in your experience there has always been a little difficulty in keeping stock and testing it?—That is a question that would

Dockyard Expense, &c. Accounts.

Examination of Home Yard Accounts, &c. —*continued.*

Mr. *Alpheus Morton*—continued.

rather relate to the Director of Stores than myself, because I have nothing to do with stock.

1953. We are now asking you questions as regards comparisons of stock, as I understand? —The comparison referred to in the report of Messrs. Waterhouse and Mills is a comparison of the ledgers followed by a reference to stock when there is a difference, which cannot be cleared up. If, for example, an entry of 10 of an article appears in the quantity ledgers while the equivalent of 9 only is posted in the value ledger, the difference is sought out upon the books first of all, but if it is found impossible to reconcile the two entries and that the difference cannot be accounted for, then the Store Department and the Expense Account Department would arrange for the actual stock of that article to be taken.

Mr. *Arthur O'Connor.*

1954. I suppose the accounts which you keep of stores are upon large forms, with many headings at the top and many lines at the side? —Yes.

1955. It might be, might it not, that a clerk intending to put down one in the column headed G., accidentally put one in the column headed H.? —That very often occurs.

1956. There might be a very great deal of difference between the value of the article belonging to column G. and the value of the article belonging to column H. ?—Yes.

1957. Without anything except a clerical error, there might be a serious disparity in the results between your actual remain of stores and the clerical return at the bottom of your form? —Yes; I ought to have said that, in addition to the test comparison that is going on all the year round, at the end of the year the remains of the stock in hand, the final balance on the 31st March is valued out at the rate-book prices by the Expense Accounts Department; and then, of course, if the two books (the store ledger kept in the Store Department and the value ledger kept in the Expense Accounts Department) are both accurate, the balances should agree absolutely.

1958. I suppose, practically, you never do arrive at an absolute agreement?—Not to the extent of fractions of a penny. We certainly find at the end of the year that there are considerable discrepancies owing to errors which have escaped detection. The issue transactions at the Dockyards have amounted to some 800,000 or 900,000 a year, and in recording that vast number of transactions mistakes must occur.

1959. The mere insertion of a figure in a wrong column might, I presume, make a substantial difference?—Yes; but at the end of the year the whole of those differences are threshed

Dockyard Expense, &c. Accounts.

Examination of Home Yard Accounts, &c. —*continued.*

Mr. *Arthur O'Connor*—continued.

out. If we find that the value of the balance in the quantity ledger and the value in the value ledger do not agree, then steps are taken to investigate the cause of the difference.

1960. You check the value in the total of each column?—Yes. There are two objects; not only are the ledgers corrected, but, if mistakes have occurred in valuation, it enables us to correct the Expense Account.

Sir *John Hibbert.*

1961. In that way do you get rid of the discrepancies in many cases?—Yes, many hundreds of them; in fact, the differences which remain unadjusted are fractional as compared with the total amounts of the posting in the respective ledgers.

Conversion or Manufacturing Accounts.

Abolition of certain Conversion Balance Sheets.

Chairman.

1962. (To Mr. *Miller.*) In the last sub-section but one of paragraph 6, the Comptroller and Auditor General remarks upon a new departure, which he says will have the effect of withdrawing from the purview of his Department differences in the cost of production, and also of obscuring results with regard to profits or losses; what have you to say upon those two points?—The abandonment of the accounts there referred to is experimental. We have addresed a communication to the Treasury upon the subject, and we have received the following reply: "Treasury Chambers, 14th April 1894. Sir,—The Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 17th July last, in which the Lords Commissioners of the Admiralty report that in the case of certain manufacturing shops, wherein the percentage of work on conversions has fallen off considerably of late years, they have discontinued the minute detail of the cost of manufacturing or repairing each article for stock (as distinct from ships), and are confining the record to the aggregate cost of manufactures or repairs at each shop in the year. My Lords direct me to signify to you their covering concurrence in the temporary and experimental discontinuance of these detailed accounts, as from 1st April 1893; but they request to be furnished with a report of the results of this measure for the financial year just closed, in order that the continuance of it or not may then be considered, with the help of any criticisms that may be furnished by the Comptroller and Auditor General." The chief object of the abandonment of the accounts was that they were of minor importance compared with some

of

Dockyard Expense, &c. Accounts.

Abolition of certain Conversion Balance Sheets —*continued.*

Chairman—continued.

of the accounts we keep, and secondly the clerical work involved in keeping them we wished to apply in a more useful manner in another direction. But the proof of the wisdom, or otherwise, of the action taken will show itself as soon as the accounts for this year 1893–94 are received, which will be reviewed by the Comptroller and Auditor General.

1963. In the next sub-section of his Report you will observe that the Comptroller and Auditor General says the Admiralty appear to consider that the arrangement for maintaining a record of aggregate cost in manufactures and repairs will enable them to exercise a check sufficient for practical purposes over the revision of rate-book prices, but he is unable to say in what manner this will be effected; have you any remarks to make to the Committee upon that statement?—The process would be this: A complete record of the total cost of the articles made is kept, by which means we can contrast the cost of the articles with the value at rate-book prices. If the value at rate-book prices is found to differ from the actual cost, then we should further investigate the circumstances.

1964. (To Mr. *Ryder.*) You will notice that in the last sentence of this paragraph the Comptroller and Auditor General says that he has not yet been informed of the Treasury views upon this subject; has he been informed since the date of the Report?—The Treasury sent to the Audit Office a copy of the letter which has just been read to the Committee. No doubt it is very brief, and can scarcely be said to express the views of the Treasury in any detail; but I think the explanation of that is simple. We were asked to give covering sanction to a change that had been already made in very intricate accounts, the effect of which was uncertain. We gave our covering sanction to this change experimentally, and asked that a report should be furnished, after the close of the first year, by the Admiralty.

1965. May we understand that the Treasury views did not go beyond the letter which has just been read by Mr. Miller?—They did not.

1966. (To Sir *C. L. Ryan.*) Have you any remarks to make upon what has been stated by Mr. Miller and Mr. Ryder?—This question is one of considerable intricacy and difficulty, and I propose during Whitsun week to pay an official visit to the Dockyards of Portsmouth and Devonport to look into this question on the spot, which will enable me to form a better opinion than I could by correspondence.

1967. Then may we understand that you will refer to it in your Report of next year?—Yes, in any case I should think it necessary to do so; but I should be in a better position to report upon it if I look into the matter on the spot.

Dockyard Expense, &c. Accounts.

Abolition of certain Conversion Balance Sheets —*continued.*

Chairman—continued.

1968. In the meantime I presume we are not in a position to come to any decision upon the matter?—I do not think the Committee can come to any decision upon the matter.

Mr. *Alpheus Morton.*

1969. If you are going to visit the Dockyards at Whitsuntide might we not have a report within a month or so?—I do not think I can promise to report at present.

1970. You do not think you could give it to us in time for us to consider it this Session?—I think not.

1971. As I understand your letter of the 24th of June 1893, which is printed on page 165, a lot of balance sheets are to be discontinued?—Yes.

1972. I understand you think that would withdraw information from Parliament?—If you would allow me I would rather not go into the question now; because if I am going to look into the matter upon the spot, I should be in a better position to speak to it then.

1973. You do not think that we can fairly express an opinion till we get your report?—No.

Foreign Yard Accounts.

Chairman.

1974. (To Mr. *Miller.*) At the end of the first sub-section of paragraph 7, the Comptroller and Auditor General says, in regard to the Foreign Yard Accounts, that he recently addressed a communication to the Admiralty, to which he has had no reply up to the date of his Report; has a reply been sent since?—A reply has been sent. Delay necessarily arose in communicating with Malta and in obtaining the information. The Stock Valuation Account at Malta, which had only just been started, was not without error. We have not yet applied the test of the comparison between the quantity and value ledgers at Malta which is in operation at the Home Yards; but I will read the letter sent to the Comptroller and Auditor General, which makes clear the proposed future action: "27th April 1894. Sir,—I beg to acknowledge the receipt of your letter of the 26th January 1894, relative to the Malta Expense Accounts, and to state, in reply, that it has been managed for the balances of the stock valuation ledgers to be compared with the value of the remains per quantity ledgers at the close of each year, in the same manner as at the Home Yard. By these means errors of the description referred to will be detected and differences investigated before the Return No. 323 is transmitted. It has also been arranged that the value of the shop plant, erroneously included in the

Dockyard Expense, &c. Accounts.

Foreign Yard Accounts—*continued.*

Chairman—continued.

value of stock at Malta, will, in future, be shown separately in the Appendix to the Return No. 323." We hope, by the application to Malta of the same tests which we have at the Home Yards, the errors will come to light and be dealt with before the Comptroller and Auditor General's audit follows.

1975. (To Sir *C. L. Ryan.*) Are you satisfied with what Mr. Miller says?—Yes, it will be looked to, of course.

[Mr. *Gordon Miller* withdrew.

Sub-Head C.—New Vessels, &c.—Further Programme.

Chairman.

1976. (To Sir *C. L. Ryan.*) You say in paragraph 15, that as there seems to be a departure from the Programme submitted to Parliament, which apparently involves an increase of expenditure under Sub-Head A., you have inquired of the Admiralty whether Treasury sanction was obtained for the diversion of the expenditure from its assigned purpose; have you obtained an answer to that letter?—I have obtained an answer, and I think, as Mr. Gordon Miller is not present, I must trouble the Committee with the Admiralty letter, which is the reply to the question asked. It is dated the 1st of May 1894: "Sir,—I am commanded by my Lords Commissioners of the Admiralty to acknowledge receipt of Audit Queries Nos. 206 to 209, inquiring (*a*) whether Treasury concurrence was obtained to a departure from the detailed Programme of Shipbuilding, &c., whereby the work upon the 'Magnificent' was not taken in hand, in order to devote the labour to the more rapid completion of the naval defence ships; and (*b*) whether further or fuller explanations should not be given in the Expense Accounts in the case of certain other variations from the Programme. In reply, I am to acquaint you as follows: With regard to (*a*), my Lords understand that their obligation to obtain Treasury concurrence in changes is restricted to operations which involve the utilization of savings under one sub-head to meet excesses upon another, such, for example, as the pushing forward of 'repairs' in the place of 'new construction.' For the year 1892–93 the excess upon the Programme Sub-Head, referred to in the Query No. 206, is fully covered by Treasury assent of 23rd June 1892, and of 9th and 15th March 1893; consequently no further reference to the Treasury is considered necessary. In confirmation of this view my Lords would refer to the letter from the Treasury to the Admiralty, dated 16th January 1889 (an extract from which is enclosed), also to the evidence given before the Committee of Public Accounts on 20th March 1889 with regard to Vote B., and to the

Dockyard Expense, &c. Accounts.

Sub-Head C.—New Vessels, &c.—*continued.*

Chairman—continued.

proposed Army and Navy Audit Act, 1889. They would further refer to the absence of Treasury restraint in dealing with items within the sub-head of a Navy Vote, Vote 8 for example, and they would invite attention to the fact that the Programme is to some extent necessarily prepared before the work indicated in it can be taken in hand, and that changes of policy or other circumstances, such as delays in the supply of materials, &c., may occur, which may at any time render modifications of detail (as between one ship and another) necessary. My Lords are, however, prepared to admit that antecedent Treasury assent is necessary in the case of proposals to commence new ships which are not named in the Programme of Shipbuilding, &c., and to consider, now that the Naval Defence Act is about to expire, how far the sub-heads of the Programme should consequently be rearranged. My Lords understand that under the Army and Navy Audit Act, 1889, the Programme of Shipbuilding, &c. (as given on pages 164-5 of the Navy Estimates for 1892-93), constitutes the standard, by reference to which the Expense Accounts are examined. Those accounts clearly show, not only the excesses on savings on Sub-Heads (*see* pages 14 and 15 of the Navy Expense Accounts for 1892–93), but they also show the expenditure upon each ship named in the Programme contrasted with the estimate for each ship, which information is subjected to your review. In regard to (*b*), my Lords have caused brief explanation of the principal causes of variation between estimate and expenditure upon services within Sub-Heads of the Programme to be given, but they consider that it would not be to the public advantage to state in all cases the precise reasons which have rendered it necessary to proceed with the work upon specific ships in preference to others. They will, however, undertake that in future the necessary explanations will be given as fully as may be consistent with this proviso." This is an important point as to the question of the authority which the Admiralty can claim for variations; and I thought it better just to put my views upon the interpretation of the Army and Navy Audit Act in the shape of a Memorandum, which, if the Committee think proper, I will read.

1977. Will you please do so?—"Since paragraph 9 and the succeeding paragraphs were embodied in my Report upon the Dockyard Expense Accounts, 1892–93 (on the subject of variations between Programme and performance in shipbuilding, &c.), I have had before me the Admiralty letter of the 1st instant, which maintains that within the limits of the Sub-Heads of the Programme, the Admiralty are not subject to Treasury control, except in cases where ships not named in the Programme are commenced. The point raised in paragraph 15 is one of considerable importance in relation to the future conduct of the audit of the Expense Accounts, in connection

DOCKYARD EXPENSE, &c. ACCOUNTS.

Sub-Head C.—New Vessels, &c.—*continued.*

Chairman—continued.

tion with its bearing upon Parliamentary sanction for the Programme embodied in the Navy Estimates. With the question of Treasury control it is not necessary for me to deal; it will be dealt with by the Treasury, who will probably be prepared to state their views to the Public Accounts Committee. So far as I am concerned the Admiralty state, as is true, that the accounts show not only the excesses or savings on Sub-Heads, but the expenditure on each ship named in the Programme contrasted with the estimate for each ship, which information is subjected to my review. To prevent any possibility of misapprehension, either at the present moment or for the future, I think it right to explain what I understand to be the meaning and intention of the examination according to Programme specified in the Army and Navy Audit Act, 1889. It is, I conceive, an examination which is to have regard, not merely to commission but also to omission of expenditure; or, in other words, if the Admiralty show in their Programme that they are intending to spend a certain sum upon a specified vessel, while it is brought out by their accounts that this intention has not been fulfilled and that no money (or less money) has been spent upon that particular vessel, the obligation will arise for them to furnish an adequate explanation of the reason for the variation, and, *mutatis mutandis*, excess of expenditure upon a vessel would be similarly explained. And it should clearly follow all that is deliberately stated to Parliament in the Programme; and Parliament should be informed by means of the accounts, and by means of any remarks which may seem desirable in my Annual Reports upon the Expense Accounts, of all deviations from Programme of an important character. Responsibility for the accuracy or validity of the explanations given for divergencies from Programme is a matter which lies with the Admiralty, and upon this it is not necessary for me to enlarge further than to say that fuller explanations are promised in future years. I may add one word of explanation with regard to the difference between the Programme and Ordinary Estimates. In the case of Ordinary Estimates there is no legislative or statutory sanction given to them; consequently, it is only Treasury Regulation which requires any following of the detail Estimates. In the case of the Navy Expense and Manufacturing Accounts, the direction to follow Programme is statutory, and, consequently, one which does not lie, in my opinion, either with the Admiralty or the Treasury to depart from, except with the knowledge and approval of Parliament."

Mr. *Alpheus Morton.*

1978. (To Mr. *Ryder.*) Have the Treasury put their views upon this question in writing?—No; I have nothing in writing.

1979. Have you anything to say upon the subject?—I think I may safely say, on behalf

DOCKYARD EXPENSE, &c. ACCOUNTS.

Sub-Head C.—New Vessels, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

of the Treasury, that they would agree with the description given by the Comptroller and Auditor General of his duties in regard to the Programme. The question of Treasury control over the Programme is quite distinct from the duties of the Comptroller and Auditor General in regard to the Programme. I think the Admiralty are justified in saying that the Treasury does not require reference to it unless the proceedings taken by the Admiralty are likely to cause an excess upon a Sub-Head of the Programme; or unless some distinct change is made in the Programme, the commencement of a new ship, for instance, that is not mentioned in the Programme, or the abandonment of some ship mentioned in the Programme and the substitution of another for it; that would be a change that ought to be communicated to the Treasury and made known to Parliament at the first opportunity. But such a change as slackening the progress of expenditure upon one ship mentioned in the Programme, and hastening the expenditure upon another ship or ships, need not be referred to the Treasury, if it does not cause an excess upon a Sub-Head. It is quite true that in 1888 a very important letter was presented to the Committee of Public Accounts by Mr. Jackson, who was then the Secretary to the Treasury, and in one passage of that letter he speaks of the Admiralty submitting to the Treasury alterations between ship and ship mentioned in the Programme. I have the letter before me. It says, "The Treasury assent should be required to variations of the Programme from ship to ship." I mention this because, in the following year, when a great deal of evidence was taken by the Public Accounts Committee with regard to this Programme (which at that time used to be called Vote B., the intention being to submit it as a vote to Parliament), a certain alteration was made with regard to the Treasury control, and it was clearly explained to the Committee, by no one more clearly than by the Comptroller and Auditor General himself, that Treasury control would be confined to excesses on Sub-Heads of the Programme and substantial changes. I may mention especially the Comptroller and Auditor General's answers to Questions 334 and 354 in the Evidence of 1889. In answer to Question 354, he says, "Treasury sanction is confined to Sub-Heads of the Vote" (that means Vote B. or the Programme), "and the Admiralty have a perfectly free hand within the limits of the Sub-Heads." I think, therefore, as I said before, that the Admiralty are justified in the position they have taken up, that they need not come to the Treasury if there is no excess upon a Sub-Head, and if they are not proposing to distinctly alter the Programme. In the particular case that the Comptroller and Auditor General mentions, apparently the work was not undertaken upon a ship that was mentioned in the Programme, and the labourers, instead of being employed upon that ship, were turned upon some

Dockyard Expense, &c. Accounts.

Sub-Head C.—New Vessels, &c.—*continued.*

Mr. *Alpheus Morton*—continued.

other ships mentioned in the Programme, I think that under the existing ruling, the Admiralty were not obliged to come to the Treasury before they made that change. But I do not wish in any way to commit the Treasury to saying that the existing ruling may not be in some respect defective, or that it might not be wise to alter it. I confine myself to saying what I understand the ruling to be, and to saying that the Admiralty have apparently observed it.

1980. I gather you do not think it necessary to get Parliamentary sanction in this matter?—I do not think that the question is one of obtaining Parliamentary sanction. The question raised by the Comptroller and Auditor General was as to whether Treasury sanction is required.

1981. (To Sir *C. L. Ryan.*) I understood the end of your Memorandum, as you read it just now, was to the effect that Parliamentary sanction ought to be obtained?—No; the meaning was not that Parliamentary sanction should be obtained. I was, of course, only speaking with regard to my own Department and of the duties of my Department under the Army and Navy Audit Act. Incidentally, as Mr. Ryder has explained, the Treasury comes in; but it was a separate question. All I say is that neither the Admiralty nor the Treasury could, if they wished to do so (which I do not say in the least they do), set aside the obligation which lies upon me, under the Army and Navy Audit Act, of stating to Parliament not merely whether anything has been done, but also whether anything has not been done. Whether money has been taken from a ship or whether it has not been spent upon a ship, all those things having been in the Programme, I am bound to report upon them, and to ask the Admiralty for such reasonable explanations as I think they ought to give as to why they have not done it. That is my point of view. I have nothing to do with the question of what control the Treasury think proper to exercise over the Admiralty.

1982. Do you think that in these alterations they ought to have got Parliamentary sanction?—No, I do not think that is necessary; it cannot be done in fact. The point is, that Parliament should be informed clearly how far the Admiralty has or has not complied with the Programme, upon the strength of which Parliament granted them the money in the Estimates. If Parliament gets that information through the accounts, it gets it as early as it can possibly get it. Therefore I do not know that any question of Supplementary Estimate or Supplementary Programme comes into the question. Parliament is fully informed after the event.

1983. (To Mr. *Ryder.*) Have you told the Committee all that you think the Treasury have to say upon the matter?—I do not think I need add anything, unless it is an expression of complete agreement with the Comptroller and Auditor General as regards his own duties. I feel sure that the Treasury would absolutely agree with that.

1984. (To Sir *C. L. Ryan.*) Do you think we now have the whole case before us?—I think you have the case now before you.

Mr. *Arthur O'Connor.*

1985. (To Mr. *Ryder.*) Do you hold, or not, that the Admiratty is entitled deliberately to incur an excess expenditure upon Sub-Head A., we will say, without the sanction of the Treasury?—Treasury sanction is required for any deliberate excess.

1986. In this particular case are the facts stated correctly; was there an excess incurred?—The diversion of labour from the "Magnificent" to the Naval Defence ships caused no excess, as I understand it.

1987. Then you do not admit, as I understand, the statement of facts in the Report of the Comptroller and Auditor General?—I do not know the ground upon which the Comptroller and Auditor General says it caused an excess. If it did cause an excess, then, as such, the excess ought to be submitted to the Treasury.

1988. He says there was "a distinct departure from the Programme submitted to Parliament," and that it "apparently involves an increase of expenditure under Sub-Head A."; is that correct or not?—I understand from Mr. Gordon Miller that no excess was caused, but I do not know more than that.

1989. Then the facts are not admitted?—There is a large surplus shown upon Sub-Head A. in the Account, at page 15.

1990. (To Sir *C. L. Ryan.*) Can you throw any light upon this point?—The word "excess" does not express the meaning. It increased the expenditure without causing an excess.

1991. Then what is the exact meaning of that phrase that it "involves an increase of expenditure under Sub-Head A."?—Money is transferred from one Sub-Head to another.

1992. If "an increase of expenditure" does not mean an expenditure in excess of that which was originally agreed upon, what does it mean?—Perhaps you would allow Mr. Bromley to answer the question as he is more familiar with this particular matter. (Mr. *Bromley.*) The money was saved under Sub-Head C. of the Programme and was spent under Sub-Head A.; therefore, there was an increased expenditure under A., but not an excess under A. as a whole. In other words, if the money had not been spent under Sub-Head A., the expenditure under that Sub-Head would have been less than is recorded now in the accounts.

1993. As a matter of fact the total available under Sub-Head A. was not expended?—It was not expended.

1994. (To

Dockyard Expense, &c. Accounts.

Sub-Head D.—Reconstruction, &c.

Chairman.

1994. (To Sir *C. L. Ryan.*) In paragraph 16 you state that you called upon the Admiralty to give you further explanations of variations from the Programme in the case of important diversion of expenditure from the "Monarch" to other ships"; have you received any further explanation?—Clearer explanations have been promised to be given in future.

1995. But you have received no further explanations as to the past?—Not as to the past.

Dockyard Expense, &c. Accounts.

Sub-Head D.—Reconstruction, &c.—*continued.*

Chairman – continued.

They only promise that in future they will give fuller explanations.

1996. Is that so far satisfactory to you?—Yes; in future it will be set right.

Mr. *Alpheus Morton.*

1997. Have you got any undertaking in writing from them?—It is at the end of the letter which I read.

CHELSEA HOSPITAL.

Major General Edward Andrew Stuart, called in; and Examined.

Account, 1893.

Mr. *Alpheus Morton.*

1998. What is the explanation of the statement that "Receipts on account of grazing and other rents," as mentioned in paragraph 1 of the Comptroller and Auditor General's Report, were classified under the general head of "Army Prize Money"?—The Treasury settled some years ago, when the sources of revenue of Chelsea Hospital were very small, that they should be all collected under the Army Prize Funds; but lately some of the land was let, and it was thought necessary to open a new account, for which Treasury sanction has been obtained.

1999. So that in future it will be called something else?—Yes.

2000. What is it going to be called in future?—It will be called "Miscellaneous Funds (Rents, &c.)," as the honourable Member will see at the end of paragraph 4.

2001. (To Sir *C. L. Ryan.*) Are you satisfied upon this point?—Yes. I raise no question upon it.

2002. You merely mention it?—I mention the fact.

2003. (To General *Stuart.*) The Report mentions that the grazing and other rents were classified under the general head of "Army Prize Money"?—There has been no prize money assigned to Chelsea Hospital since 1857. Since the Indian Mutiny no prize money has accrued.

2004. You get receipts, do you not, from Naval and Military Exhibitions?—We have only let the ground twice, once to the Naval and once to the Military Exhibition; and we got altogether 1,500*l.* as the rent paid for that land by the two Exhibitions.

2005. Who is the treasurer for these Military and Naval Exhibitions?—There were secretaries. The secretary of the Naval Exhibition was Sir Alfred Jephson.

2006. Are those the same sort of exhibitions that we hear of going on at the Agricultural Hall?—No, not exactly. They were exhibitions of naval architecture, and of any arts connected with the Navy.

Mr. *Alpheus Morton*—continued.

2007. Did they give you all the profits?—They gave us none of the profits; they only gave us a rent, and a very small one.

2008. You do not happen to know where the profits go to, I suppose?—No, I have nothing to do with that.

2009. What is the meaning of the last clause in paragraph 3: "It will thus be seen that in view of past and prospective increases in the rental revenues of the Hospital, the former application of the income from this source has been extended to include a class of expenditure which is new to this account"?—I suppose the Commissioners thought that the pocket money which the in-pensioners receive was very inadequate, and they took the opportunity of the letting of a portion of Gordon House to enable them to add a penny a day to the pocket money which the in-pensioners receive. The amount as settled in 1850 was really less than they received in the time of William III. This the Commissioners thought very inadequate, and when they found they had an increased income, they thought it only reasonable and in harmony with present ideas to increase it from a penny to twopence, considering also that the in pensioners contribute very largely to their own support in the Hospital.

2010. Does that make the amount they receive equal to what was given in the time William III.?—It is a penny less now than it was in the time of William III.; they gave them eightpence a week in the time of William III., and in 1850 it was reduced to sevenpence. Although the Commissioners thought that very inadequate they did not like to trench upon or ask for assistance from the public funds, but when they let a portion of the land they thought it right to assign the money for that purpose and to give the in-pensioners an extra

CHELSEA HOSPITAL.

Account, 1893—*continued.*

Mr. *Alpheus Morton*—continued.

extra penny a day. They get fourteen pence a week now.

2011. You speak of it as pocket money?—It may be called anything; it may be called bounty or pocket money.

2012. Have the pensioners to provide themselves with necessaries?—No, they have to provide nothing; they relinquish their pensions on entering the Hospital. The average rate of pension which they relinquish is nearly a shilling a day.

2013. They do not have to find their living out of this money?—No, they find nothing.

Chairman.

2014. Paragraph 4 of the Report relates to the opening of a new head of service under the title of "Miscellaneous Funds, Rents, &c."?—Yes.

2015. That has reference to what follows in paragraph 5, has it not?—Yes.

2016. In paragraph 5 you will observe the Comptroller and Auditor General says that, without questioning the abstract right of the Chelsea Hospital Commissioners to apply the augmented revenue from rents as they see fit, the question is raised whether the use of the rent in the payment of additional bounties to the in-pensioners should not imply some reduction being made in the provision of pay for in-pensioners now inserted in Army Vote 15, and whether the general taxpayer should not obtain some relief by virtue of the increase to the Hospital income. Have you any remark to make upon that?—The Commissioners thought that the penny they received from the public was totally inadequate, and therefore they thought they would add a penny from the private funds of the Hospital. It may also be observed that within the last six years the Commissioners have effected great economies in the administration of the Hospital, amounting to about 1,800*l.* a year on the voted funds.

2017. (To Mr. *Ryder.*) In the last sentence of paragraph 5 the Comptroller and Auditor General says, "The Treasury letter, which is dated 12th December 1893, has not yet, so far as I am aware, received a reply from the War Office;" has that reply been sent since the date of the Report?—The Treasury letter has been replied to by the War Office, and the explanations given warranted the Treasury in withdrawing the suggestion that they had made that any abatement should be effected in the Parliamentary provision for the pay of the in-pensioners.

2018. That is the final opinion of the Treasury now?—The correspondence is concluded.

2019. What you state now is the final opinion of the Treasury upon the point?—It is.

2020. (To Sir *C. L. Ryan.*) Have you anything further to remark upon what has been stated?—No, I have nothing further to say. I was not aware when the Report was written

CHELSEA HOSPITAL.

Account, 1893—*continued.*

Chairman—continued.

that the Treasury had withdrawn their suggestion.

2021. Do you adhere to your opinion that some reduction ought to be made?—That was not my opinion; it was the Treasury's opinion.

2022. You formed no particular opinion yourself?—I had no particular opinion.

Sir *Arthur Hayter.*

2023. (To General *Stuart.*) Do you think that the income from the rents will be sufficient when you have no special exhibitions in the grounds, to keep up the grounds of Chelsea Hospital, and to pay this sum to the in-pensioners for pocket money?—The grounds are kept up from the present source of income; but we have let part of the Gordon House property for 740*l.* a year, and this extra penny to the in-pensioners will cost about 700*l.*

2024. That will be covered by the rent from the Gordon House property?—Yes.

Mr. *Alpheus Morton.*

2025. (To Mr. *Ryder.*) What is meant by the sentence at the end of the Treasury letter of the 12th of December which is printed in the Report at page 6: "It seems fair, therefore, that the general taxpayer should obtain some relief by virtue of this increase in the Hospital revenues;" is that the suggestion that the Treasury has withdrawn?—Yes, that was the *primâ facie* view of the Treasury; but when the information had been given to them by the War Department which has just been given to the Committee by General Stuart the Treasury altered their view, and they thought it would be only fair to continue to vote the penny a day to the in-pensioners.

2026. Then is the first penny a day voted out of public funds by Parliament?—Yes, out of public funds.

2027. (To General *Stuart.*) Then the other penny comes out of the Hospital funds?—Out of the rent of Gordon House.

2028. (To Mr. *Ryder.*) You thought in the first instance, as I understand, that the taxpayer ought to have some part of the benefit?—Yes.

Mr. *Arthur O'Connor.*

2029. (To General *Stuart.*) I understand you to say that the Commissioners of Chelsea Hospital have effected certain reductions of late years in expenditure?—There has been an economy effected of about 1,800*l.* a year in the last six years, as against the corresponding previous six years.

2030. I understand you to say that because they have effected those reductions they consider themselves at liberty to make this appropriation in aid of the pocket money of the in-pensioners?—They thought that gave them some *locus standi* for doing it, because they had effected great reductions in the voted funds.

2031. That

9 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Major General Stuart. [*Continued.*

Chelsea Hospital.

Account, 1893—*continued.*

Mr. *Arthur O'Connor*—continued.

2031. That was their view?—Yes.

2032. And your view?—Yes; everybody's view.

2033. Would you kindly look at the account itself; I see in connection with army prize money you have receipts amounting to 2,507*l.*?—Yes.

2034. The expenditure is 2,859*l.*, is it not?—Yes.

2035. In order to meet that expenditure, which was 300*l.* more than your receipts, you had to sell certain securities?—Yes.

2036. So that your observation with regard to the freedom of the Commissioners to give this money in supplement of what is voted by Parliament extends not only to the income but also to the *corpus* of the property?—In letting this land on lease the whole rent does not come in until about three years after the lease has been granted; it is only 350*l.* in the first year, 500*l.* in the next year, and then in the year 1895 we will get 740*l.*, which will complete it.

2037. My question is this: you have parted with some of the principal of the army prize money, have you not, 300*l.* of it?—Yes, but we have added to it by savings before. The army prize money several years before was much less than it is now.

2038. Your observation therefore applies not only to the annual income but to the *corpus* of the fund?—We have added to the *corpus* of the fund the last three years by these rents.

2039. As you have added to the fund by your good administration you consider, as I understand, the Commissioners are at liberty to draw upon it when they see a fitting opportunity?—Yes; the prize fund is handed over for the general purposes of the Hospital.

2040. I see the amount of prize money actually distributed was under 14 guineas?—Yes, it practically amounts to nothing; it is merely nominal now.

2041. The "administration of the Hospital" is entered in the account as costing 400*l.* a year?—That is a misnomer, and it has been altered since. That was the old term which was in force when the administration of the prize fund was a large sum.

2042. But at any rate the amount of prize money now distributed is practically nil, or merely nominal?—It comes to about 30*l.*; it is only a nominal amount.

2043. The statement on page 3 is that you have about 80,000*l.* of capital under the head of 'Army Prize Money' in consols?—Yes, 79,000*l.*

2044. You use the income for the maintenance of the grounds, and a certain allowance to some of your staff, and in the payment of certain further bounties to in-pensioners?—Yes.

2045. When your income is not enough to meet these items of expenditure you draw upon the capital?—Yes, but the capital has never been drawn upon beyond what has been received from rents?—The capital of the prize money has never been used for any of these purposes, only the interest.

2046. Can you tell me how much of that 79,000*l.* which you still have in securities represents army prize money proper, and how much of it represents the result of you economies?—We have been receiving rents of about 100*l.* a year for the last 20 years, which have been added to the prize fund.

2047. Is this 79,000*l.* prize money, or not; if in part only, how much is prize money?—I could not tell you that. It has been added to from various sources for many years.

2048. What are the sources besides prize money?—Rent.

2049. What proportion is rent, and what proportion is prize money?—The rent has been added to it every year.

2050. You could not tell how much?—No; I cannot tell without reference to the accounts of many years.

[Major General *Stuart* withdrew.

ARMY CLOTHING FACTORY ACCOUNTS, 1892-93.

Mr. Ralph Henry Knox, C.B., and Mr. G. D. A. Fleetwood Wilson, C.B., called in; and Examined.

Test Examination of Accounts, 1892-93.

Mr. *Alpheus Morton.*

2051. (To Mr. *Wilson.*) You remember, no doubt, the difficulty that occurred some time ago in regard to the army clothing tailors at Canterbury?—Yes, perfectly. That was before I was in my present position. I only took office last autumn.

2052. Was that a matter under your Depart-

Army Clothing Factory Accounts.

Test Examination of Accounts, 1892–93—*continued.*

Mr. *Alpheus Morton*—continued.

and Auditor General's Report refer to stores at Canterbury in any way?—No; these are the accounts of the Clothing Factory at Pimlico, where we manufacture the clothing.

2055. It does not refer to any other Factory but Pimlico?—No.

Chairman.

2056. The Royal Army Clothing Factory means the Factory at Pimlico, does it not?—Yes, the Factory, but not the whole Department. These are the accounts of the actual Factory, solely.

2057. But it is solely Pimlico, as I understand?—Solely Pimlico; nothing else.

Mr. *Alpheus Morton.*

2057*. (To Mr. *Knox.*) Under what head shall we find anything with regard to such a depôt as Canterbury?—It would be included in the Army Store Accounts.

Chairman.

2058. (To Mr. *Wilson.*) In the last sentence of paragraph 3 the Comptroller and Auditor General says he has asked for an explanation of the circumstances under which a store surplus has been set off against a Factory deficiency, but sufficient time had not yet elapsed at the date of his Report for a reply to have been received; that was written on the 20th March; perhaps a reply has since been sent?—Yes, a reply was sent on the 7th April.

2059. What was the substance of it?—Perhaps I had better read it; it is very short: "In balancing the numbers of garments which had passed through the repairing and altering room of the Factory in the three years ended the 31st March 1893, it was found that, out of 171,000 new and part-worn great-coats, 264 could not be traced as either in hand or as having been acknowledged as received back by the store on completion of the work required. Every effort was made to clear up the deficiency, but it can only be accounted for on the supposition that although the coats were duly returned to store, the usual receipt voucher through inadvertence was not made out. The store stock-taking in July 1892 showed a surplus of 125 great-coats, which were set off against the deficiency, and the remainder were charged against the Factory Balance Sheet." It was not thought necessary to report the adjustment to the Treasury; and the stock, I may remark, is now taken in the appropriation room every year intead of every three years, with a view of checking any discrepancy of this sort.

2060. (To Sir *C. L. Ryan.*) Are you satisfied with that explanation?—I think that probably the annual stock-taking would prevent a discrepancy of this sort arising in future. It cannot, of course, be said to be explained; there is no explanation.

Army Clothing Factory Accounts.

Test Examination of Accounts, 1892–93—*continued.*

Sir *John Hibbert.*

2061. A suggestion has been given as to how it arose?—Yes; I do not think there is any explanation.

Mr. *Alpheus Morton.*

2062. (To Mr. *Wilson.*) This stock-taking is done by officers appointed by yourself, is it not?—I have got one of my officers present to represent me, but otherwise it may be described as being taken by the Finance Branch at the War Office, who are practically independent of me.

2063. But you are all appointed by the War Office, are you not?—Both are under one Secretary of State, no doubt, but the Department is perfectly separate; the establishment is quite different.

2064. Have you a separate permanent head?—I am the permanent head of the Department. (Mr. *Knox.*) The stock is taken by gentlemen who are under me. (Mr. *Wilson.*) None of my people are there except to represent my interests when the stock is taken. It is a *bonâ fide* stock-taking by the Accountant General's officers.

2065. Of course it is a stock-taking against yourself, and therefore it would be no use to ask your opinion upon it?—It is a stock-taking against myself, certainly.

Mr. *Arthur O'Connor.*

2066. Would you explain what is the exact meaning of a "store surplus," and what is the exact meaning of a "Factory deficiency"?—To explain that I should have to ask the Committee to be good enough to listen while I explain the process. The great-coats in question are great-coats which are sent to the Factory to be altered or to be repaired.

Chairman.

2067. What is the meaning of the expression "a store surplus"?—At the end of the year when stock is taken they find a surplus of so many great-coats in store.

2068. Where is the store, at Pimlico?—Yes; within the four walls, but in a totally different branch.

2069. You have in the building a separate place called a store; is that it?—I have three separate branches, Stores, Inspection, and Factory.

2070. What is the meaning of a "Factory deficiency"?—I can illustrate it best by stating what took place in this case. A number of great-coats were sent from the store for small alterations or repairs to the Factory.

2071. Do you keep in store great-coats which are required to be repaired?—We did then, because you may remember the practice was to lend great-coats to the Volunteers; and I think this really has arisen from the enormous pressure that fell upon the Department at that time, when we had incessant going backwards and forwards of great-coats for the Volunteers.

2072. Are

9 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Mr. Knox, C.B., and Mr. Wilson, C.B. [*Continued.*

Army Clothing Factory Accounts.

Test Examination of Accounts, 1892–93—*continued.*

Chairman—continued.

2072. Are you speaking from positive knowledge of facts ascertained, or is this speculation?—It is fact; then the Store officer would get a receipt from the Factory for the great coats which he parted with, and which went into the Factory, and appertained to another branch. The supposition is that these great coats were sent back to Store, but that the receipt voucher was not asked for by the Factory officers and was not passed into their books.

2073. Why is that supposition made?—Because it is the only possible way we can account for it.

2074. Cannot stores be got rid of without being sent back into Store?—Assuming dishonesty, I could not say that that could not be so.

2075. If we are always to presume there must be some satisfactory explanation of whatever is not clear, we might just as well have no stock-taking at all?—We found a surplus on the other side.

2076. To a certain extent but not the full extent, as I understand?—Yes.

2077. One hundred and twenty great coats have disappeared and you cannot trace them?—Yes.

2078. Then what is the use of your system of check?—It is the check that has found it out.

2079. What has it found out?—It has found out that the garments are missing.

2080. Who is put under contribution for these things that are missing; what officer is made accountable?—Undoubtedly the officer who is accountable for them is the officer from whose charge they have come.

2081. Do you mean Ramsay, the late Director of Stores?—No; I suppose it would be the head of the Factory.

2082. Have any steps been taken, do you know, to recover their value?—No; we have written them off (the amount is 41*l.* 14*s.*), and we have done nothing more.

2083. (To Sir *C. L. Ryan.*) Can you explain to me why it is that when an unfortunate officer in South Africa, for instance, who is put to do duty admittedly more than one man can do, happens to show a deficiency of stores he is put under monetary contribution to make good the loss; but if it happens to be at the War Office, or at the Pimlico Clothing Factory, 120 great coats can disappear and nobody be made accountable at all?—Of course that is not a question for me to answer because my duty consists in reporting the matter to Parliament.

2084. You take the same steps in each case?—Yes; I take the same steps in each case, which is to report to Parliament.

2085. (To Mr. *Wilson.*) Has the War Office called upon the Clothing Department to make this deficiency good in any way?—No. I think

Army Clothing Factory Accounts.

Test Examination of Accounts, 1892-93—*continued.*

Chairman—continued.

the action of the War Office has been to fully realise the gravity of the fact that these great coats are missing and to show it as a distinct item in the factory account balance sheet. (I would point out that it is in respect of the year 1891-92.) In fact, so absolutely to the notice of the Public Accounts Committee and the House of Commons has the matter been brought that we have charged it to our accounts rather than apply to the Treasury to get it written off. It is shown in the account as an actual item.

2086. What is the good of charging it to your accounts if that is to result only in an entry in pen and ink?—We have taken no punitive steps, if that is what the honourable Member is referring to.

2087. I want to see that your system of check is such that if anything goes wrong somebody or other, I do not care whether it is the highest or the lowest, is responsible?—Undoubtedly the manager of the Factory is responsible. If this occurred this year I should hold him responsible, but in view of the fact that in one class of garment alone 171,000 garments passed through the rooms, and that these transactions extended over three years, it was considered quite possible that it might be a clerical error, and he was given the benefit of the doubt. I think that is the most straightforward way I can put it. I cannot profess that this is a thoroughly satisfactory explanation.

Sir *John Hibbert.*

2088. You stated that you had not taken any punitive action; I presume that you are not in a position to take punitive action?—No; we could do nothing but draw attention to the grave inaccuracy that has occured, and insist, as in fact my predecessor had done, upon an annual return instead of a triennial return.

2089. Has there been any examination or return since?—Yes, there has.

2090. Was anything discovered that throws light upon this?—No; nothing that helps it at all.

2091. Was the last one satisfactory as regards the half-worn great coats?—Yes, nothing else has come to notice. In fact this is the only audit question that the Comptroller and Auditor General has thought it necessary to remark upon.

Chairman.

2092. In this case I understand you were not able to bring the blame home to anybody particularly?—Not to an actual individual, assuming that what took place is what we think took place, namely, that it was a paper transaction. (Mr. *Knox.*) I may observe that this is the course we pursue in regard to all losses, they are sifted as fully as they possibly

Army Clothing Factory Accounts.

Test Examination of Accounts, 1892–93—*continued.*

Chairman—continued.

can be. If blame is attachable to anybody then we take the necessary steps. If we cannot trace anything that would attach blame we are obliged to accept the position. (Mr. *Wilson.*) I may add that in a department like the Army Clothing Department, which deals with an enormous stock, I have to do the best I can with the clerks that I have got, and those clerks are in

Army Clothing Factory Accounts.

Test Examination of Accounts, 1892–93—*continued.*

Chairman—continued.

many cases the men who actually handle the goods. One can hardly insist upon the most perfect system of accounting being carried out by those men. If it is to be done in an absolutely perfect manner I should require a higher class of men, and greater expenditure must be incurred.

[The Witnesses withdrew.

Wednesday, 23rd May 1894.

MEMBERS PRESENT:

Mr. Buchanan.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Webb.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

ARMY APPROPRIATION ACCOUNT, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Mr. RALPH HENRY KNOX, C.B., called in; and Examined.

On VOTE 9.

BRENNAN TORPEDO FACTORY.

Chairman.

2093. (To Mr. *Knox.*) I BELIEVE you have a statement to make to the Committee with regard to the Brennan Torpedo Factory Account?—Yes; the question has been under consideration, and the Secretary of State has instructed me to say that he has decided in future to present the Account of the Brennan Torpedo Factory in the form which has been submitted to him.

Mr. *Alpheus Morton.*

2094. Is this a matter we have previously had no account of?—Accounts have been rendered, but not a Factory Account. There has been no Expense Account of the Brennan Torpedo Factory, as some objections were raised by the military authorities as to its being presented; and the Secretary of State has now decided upon the form in which it should be presented.

Mr. *Alpheus Morton*—continued.

2095. Was the Account simply given in a lump sum?—It was stated in the Appropriation Accounts how much had been spent upon the service, but it was not shown in detail.

2096. And I understand in future we are going to have the details?—Yes,

ARMY (ORDNANCE FACTORIES) ACCOUNT, 1892-93.

Mr. WILLIAM ANDERSON, D.C.L., F.R.S., M.INST.C.E., called in; and Examined.

GENERAL REMARKS AND OUTSTANDING QUESTIONS.

Chairman.

2097. (To Mr. *Knox.*) WOULD you kindly note the first three paragraphs of the Comptroller and Auditor General's Report, and, if convenient, I will ask you one question relating to all three paragraphs together. First you will observe, in paragraph 1, the Comptroller and Auditor General says that several important matters regarding a certain system still await the decision of the Departmental Committee, and, in the meanwhile, the financial records are not fully satisfactory. Again, in paragraph 2, he states that there are certain items of imperfect accounting still left uncorrected. Then in paragraph 3, in the last sentence, he further states that on definite advance towards a settlement of this question appears to have been made; and, in the meanwhile, his Department has no means of ascertaining that articles paid for in the various stages of manufacture are duly recorded in the Store Ledgers of the Factories; have you any explanation or evidence which you would like to give upon those points?—All those points were matters which had arisen out of the questions raised from time to time by the Comptroller and Auditor General upon these Expense Accounts, and they have been taken up and considered by a Committee which was specially appointed to consider them, over which Dr. Anderson, who is here with me, presides. As stated in the evidence before the Committee last year, that Depart-

Chairman—continued.

mental Committee has not concluded its deliberations, and is not likely to do so for some time; but many reforms and improvements have been introduced from time to time by the Committee during its progress. Those reforms are now in operation, and very satisfactory results are being obtained from them; but, as I have stated, the Committee has not concluded its deliberations, and therefore all the questions have not been exhaustively dealt with.

2098. (To Dr. *Anderson.*) When do you think the Committee will complete its inquiries?—It is very difficult to say, but I am afraid it will be a year and a half or two years longer before we complete our work.

2099. In the meanwhile I understand improvements will continue to go on?—Yes.

2100. (To Sir *C. L. Ryan.*) Have you any remark to make upon this point. Until the Committee have finally come to their decisions and the improvements have been finally made, the whole of the work of audit will not be in a completed state. I quite admit that the position is very different from what it was when the audit was first applied to the Ordnance Factories, and I should hope that when the Committee has finally finished its labours I may be able to report that the auditor can discharge his duties entirely satisfactorily. That is not so at present, and cannot be so until the completion of the Committee's work.

2101. In the meanwhile do you think that anything further can be done?—I can do nothing more until the Departmental Committee reports; and I do not think that this Committee can do anything more in the meanwhile.

2102. (To Dr. *Anderson.*) Is there any means of expediting the proceedings of this Committee, or is the time you mentioned, of one and a half year, the irreducible minimum?—The difficulty is that we have to keep the Factory going and make the alterations at the same time. It is extremely difficult and complicated; you cannot apply an universal law; you must treat each Department and each branch of a Department separately.

Mr. *Alpheus Morton.*

2103. (To Mr. *Knox.*) Do I understand that this Departmental Committee was appointed in February 1890, which is the date referred to in the Comptroller and Auditor General's Report?—Yes, that is the date of its appointment.

2104. Is it impossible within four years to get a report?—Interim reports have been made, and the recommendations of these reports, where they were regarded as worthy of acceptance (and most of them were so regarded) were practically approved and carried into operation; but everything has not been finally considered, and I may say the approval where it has been given is given tentatively. There were various recommendations made which were thought desirable if they could be found practicable, but in a vast Factory,

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Mr. *Alpheus Morton*—continued.

such as this, it very often happens that though a recommendation may appear very valuable, when an attempt is made to work it out it is found in practice to be really impossible; and that has been the case with regard to some of the recommendations that were made here.

2105. But the Comptroller and Auditor General has pointed out what he wants, in order to allow him to complete his audit in what he considers a satisfactory manner, has he not?—Yes, he has certainly urged the adoption of several recommendations, but I am afraid it will be found impossible to comply with all of them. As I have said, several changes have been tried, and are being tried with every desire to make the system as perfect as possible; but some of the recommendations or suggestions of the Comptroller and Auditor General have not been found practicable.

2106. Have they all been considered by the Committee yet?—They have not all been considered yet.

2107. Have they been before the Departmental Committee during these four years?—They have been taken up practically in turn, I believe; but perhaps Dr. Anderson will be able to speak to that point more fully.

2108. (To Dr. *Anderson.*) Have all these points been considered by the Committee?—More or less they have all been considered, but decisions have not been arrived at on all of them.

2109. How often does the Committee meet?—It generally meets once a week, but sometimes oftener, and sometimes not quite so often.

2110. (To Mr. *Knox.*) Have the members of the Committee any other work to do beyond the settlement of these questions?—Yes, very much so. The Committee is presided over by Dr. Anderson, who has charge of the whole of the Factories and their direction, and is responsible for everything that takes place in them.

2111. It is stated in paragraph 1 of the Report that there was a Departmental Committee appointed in February 1890 to consider the questions raised in connection with the system of accounting at the Ordnance Factories; what other work can the Committee have to do if it was appointed for this purpose?—But the members of the Committee are all men who are employed upon departmental duties.

2112. I quite understand that?—The Committee is presided over by Dr. Anderson, who is in charge of the whole of the Factories at Woolwich, Waltham, Enfield, and Birmingham, and his time, as you can easily understand, is very fully occupied indeed; but he gives to this Committee as much time as he can find available for its deliberations.

2113. Then the difficulty really is, that Dr. Anderson cannot give time to attend the Committee?—That is one of the greatest difficulties, but it is absolutely necessary that he should be a member of it, because these are all questions of the

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the administration of the Factories. Another member is one of my assistants, one of the Assistant Accountants General of the War Office. His time is also very fully occupied, though he devotes a great deal of time to this work down at Woolwich.

2114. (To Dr. *Anderson.*) Can nothing be done to expedite the work of the Committee?—I am afraid not, because it involves changes in the administration of the Factories, and it is always extremely difficult to make changes while the Factory is in full work.

2115. Do you mean as to being able to attend the Committee?—No; what I mean is this: decisions arrived at by the Committee are carried out at once, but that can only be done slowly, because we can never foresee what the consequences of the changes may be without waiting for some little time.

2116. It is not satisfactory, is it, to see this statement year after year in the Report of the Comptroller and Auditor General: "The financial records of the working of the Factories remain not fully satisfactory"?—I would rather it was not there, but I cannot see how to avoid it.

2117. There is no other way, is there, to meet the Comptroller and Auditor General but to make the alterations?—But the Comptroller and Auditor General and ourselves do not quite agree about the alterations, unfortunately.

2118. (To Mr. *Knox.*) I observe in paragraph 2, the Comptroller and Auditor General says that "the allocation of day-work to items of production remains without independent verification." Have you any explanation to offer with regard to that?—That has been altered now. A system of independent work-taking has been now introduced in the Laboratory, and it is now on exactly the same system as the other Factories.

2119. It has been altered since this Report was printed?—Since the Report was made.

2120. (To Sir *C. L. Ryan.*) Were you aware of that?—No, I was not.

2121. (To Mr. *Knox.*) Has not word been sent to the Comptroller and Auditor General of the introduction of the alteration?—I do not know that it has been communicated, but the change has taken place. It was found that the change which would be necessary was not a very great one. It appears that there were independent timekeepers taking notes of the work which was in progress in this Factory, but they were not called work-takers; they are now called work-takers, and they report directly to the Central Office. That is the change that has been made. I do not know that the *personnel* has been altered; so that the change may not have been observed by the Comptroller and Auditor General's officers there.

2122. Would it not be wise to send the Comptroller and Auditor General word when

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Mr. *Alpheus Morton*—continued.

you have complied with any of his recommendations?—This Report has evidently been made under the impression that no change had been effected, and I do not know that it had at the time it was written, but it has been made now.

2123. (To Dr. *Anderson.*) Not to be too lengthy, may I understand that you will in future send the Comptroller and Auditor General word when you have agreed to carry out one of his recommendations?—I think the Comptroller and Auditor General's officers are always about the Factory, and they must know what changes take place.

2124. Does not he make these recommendations to you, pointing out that he wants these changes to complete his audit?—Yes; but several alterations have been made since this Report was written. For instance, we only took over the Laboratory on the 1st April at the Central Office.

2125. Is there any objection to sending word to the Comptroller and Auditor General when you have complied with any of his recommendations?—No, I do not think there is.

Chairman.

2126. Are not the Comptroller and Auditor General's officers in the Factory at the time when the change is made?—Yes.

Mr. *Alpheus Morton.*

2127. (To Sir *C. L. Ryan.*) Is not this question of an independent verification an important matter?—I think it is an important matter; but a change has been made apparently in a satisfactory direction within a very recent period; so recently, indeed, that it has not come under the observation of my officers at the Factories.

2128. I suppose you would agree that it would be much better to send you an official notice of the change?—Of course when we came to deal with the accounts of the year in at all a comprehensive fashion, we should be bound to come across it.

2129. But you do not disagree with me that it would be wise for the Factory authorities to send you word when they do agree to your suggestions?—It would be better perhaps to have it formerly communicated.

2130. You are still of opinion that you cannot make a proper audit without these alterations?—They are necessary for what seems to me to be a satisfactory audit. (Mr. *Knox.*) Some of these changes, as I have said, are made tentatively, and experience is absolutely required to see whether they will work. An endeavour is made, when these suggestions are under consideration, to think out some method of applying them when it is thought advisable and right to do so, and then this method is put into operation; but as Dr. Anderson has explained, there is great difficulty in making changes of this kind, and

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their actual final adoption must depend upon the success of the working of the plan.

2131. But even as regards these tentative operations, there can be no objection, can there, to sending the Comptroller and Auditor General word when you have made them, in order to let him see if he is satisfied?—If a report that an experiment is being made in any particular direction is sufficient, and would be acceptable to the Comptroller and Auditor General, I certainly do not see any objection.

Mr. *Arthur O'Connor.*

2132. (To Dr. *Anderson.*) The members of this Departmental Committee are all experts, I suppose, either as manufacturers or as accountants?—Yes.

2133. They need not waste any time in learning the a. b. c. of their business?—No.

2134. They were appointed four years ago, were they not?—Yes.

2135. Would it take a year and a half to enable that Committee to devise a means by which articles paid for in various stages of manufacture should be recorded in Ledgers?—There is a record of them in the Ledgers, sufficient for our purposes.

2136. Why should not they be recorded in the Store Ledgers of the Factories?—They are recorded in the cost book of the Factories; but the details applying to piece-work payments are not an account book entry.

2137. I do not understand manufacturing, I admit; but as a Member of this Committee dealing with Accounts, I cannot understand why if you have an entry of any sort or description in any book with regard to articles paid for in various stages of manufacture, similar or corresponding entries should not be made, as the Comptroller and Auditor General desires, in the Store Ledgers of the Factories?—It would involve an enormous number of book, and an enormous quantity of work which is not necessary.

2138. You have Store Ledgers already in existence, have you not?—Yes, in certain forms.

2139. And you have some clerks?—Yes.

2140. Could they not make the entries in these Store Accounts?—The clerks we have at present could not.

2141. Do I understand you to say that you cannot make the entries because your clerical staff is insufficient?—Yes.

2142. Has that representation been made to the War Office or to the Treasury?—Not yet.

2143. (To Mr. *Ryder.*) Would there be any difficulty, with the Treasury at any rate, in increasing the clerical staff at the Factories, so as to enable this imperfect accounting to be brought to an end?—The Treasury are quite ready to consider the subject, but I am not prepared to say what increase the Treasury would consider expedient.

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Mr. *Arthur O'Connor*—continued.

2144. Whatever the increase may be, great or little, supposing it is absolutely necessary to secure proper accounting in the Woolwich Factories, would there be any difficulty on the part of the Treasury as to providing it?—I think I may say certainly not if convinced of the necessity.

2145. Has any application been made to the Treasury with regard to an increase in the staff for the purpose of completing the accounting?—I think not.

2146. (To Dr. *Anderson.*) Is that matter before the Departmental Committee?—Yes, it is.

2147. Do you propose to make any representation to the Treasury or to the War Office on that point?—At present the Committee do not see their way to carry out what apparently the Comptroller and Auditor General wishes to be done.

2148. Then, it is not a question of the insufficiency of the staff?—Yes, that is mainly the question. For example, I estimate that it would cost 20,000*l.* a year to carry out to the full and in every detail what the Comptroller and Auditor General requires in all the Factories.

2149. I am asking now with regard to the recording in the Store Ledgers of the Factories the articles paid for in the various stages of manufacture?—I do not know what the honourable Member means by the "Store Ledger;" do I understand him to mean Cost Ledgers?

2150. Before you came here, I presume you read the Report of the Comptroller and Auditor General?—Yes.

2151. I am not using words of my own, but his words, words which you have perused, and I suppose, digested?—Yes.

2152. If you will look at the end of paragraph 3 you will see he states that, "No definite advance towards a settlement of this question appears to have been made, and in the meanwhile (except in the case of the larger forgings in the Royal Gun Factory)" (with regard to which you seem to have got over the difficulty) "my Department has no means of ascertaining that articles paid for in the various stages of manufacture are duly recorded in the Store Ledgers of the Factories"?—I suppose that means the Piece-work Ledgers; that was what I was speaking about. The cost of doing that would be very great.

2153. Whatever the cost might be, you have heard from Mr. Ryder just now that there would be no Treasury difficulty?—I do not feel quite certain of that.

2154. That is to say, if it was absolutely necessary?—It would involve the building of additional offices and the employment of a very large number of men; and the question is, would anything be gained by it?

2155. Your evidence is, that it would cost 20,000*l.*?—Yes, 20,000*l.* a year.

2156. That is your evidence, that it would cost 20,000*l.* to enter in certain ledgers the articles

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Mr. *Arthur O'Connor*—continued.

articles paid for in certain stages of manufacture?—Yes. (Mr. *Knox.*) I was not prepared for the very large estimate which Dr. Anderson has given of the cost involved; but there is no doubt in my mind that it would add considerably to the cost of account-keeping at the Arsenal. Not only would it have that effect, but it would have a still worse effect, that is to say, the accounts would never come out; we should never have the accounts completed at all. It would so extend the period over which rendering the accounts would be spread, that it would practically render the accounts useless; we should never have them in proper time to settle our Army or Navy Appropriation Accounts.

2157. Would not that depend very much upon the promptitude with which the work was done from day to day?—No, I think not; it means the tracing of the progress of the work through such extraordinarily minute stages, that having regard to the number of entries that would be required and the checking of those entries and reconciling the accounts thus brought out with the cash expenditure as recorded, it would practically be impossible. It must not be thought that we at the War Office do not think that it is very important that there should be sufficient reconciliation and watch over this expenditure; but it is thought that, by independent work-takers and by the concentration of work in the Central Office of the Factories, we have quite sufficient check upon the progress of this expenditure, and that to superadd to that this system of keeping Piece-work Ledgers, as is described in this paragraph, to correspond, and to be reconciled with, the cash expenditure, would make the work so huge that it could not be practically carried out.

2158. (To Dr. *Anderson.*) In Birmingham and other places, where much material is employed, and men are also paid by time and by piece-work, in the case of private firms is there not a complete record kept of the materials consumed, the time-pay, the piece-pay, and the stages of manufacture?—I should not think so; I think they only look at the totals.

2159. In Elswick, for instance, is that not so?—No.

2160. That you know of your own knowledge?—Yes; the Committee investigated the accounts there.

2161. Is there no means by which they work up their subsidiary books from day to day, and week to week, with their final Ledger balance?—So far as I understand they carry over the totals of their results into the Cost Ledgers.

2162. Do they not check the expenditure of each Department, and of each gang of men, and each sub-division of the work?—Check as against what?

2163. Do they not check the expenditure of each division of the work, and in each Department; that is to say, as regards the amount of money paid for the work which they obtain?—We make the expenditure on the particular work agree with the total money paid to the men week by week.

2164. With respect to the articles in successive stages of manufacture?—Yes.

2165. That being so, what difficulty is there in making the entries in the books, to which the Comptroller and Auditor General refers?—If you were to keep a Piece-work Ledger it would have to balance, and you could not get it balanced till the end of the year, till after the stock-taking; and that would be very little use to us in checking the manufacture. In many cases we keep the piece-work details of every operation that is made, or group of operations; which is sufficient for the purpose of the foremen to agree the amount of money due to the men with the work-takers.

2166. Are those records submitted to the Comptroller and Auditor General?—No.

2167. (To Sir *C. L. Ryan.*) Would it be sufficient if your officers saw those records?—I should not like to give an answer upon a very technical and important question offhand; but I may say generally that I do not think my Department wishes to be unreasonable as to the minutiæ of detail, and that if we could see our way to any arrangement that would enable us to follow details sufficiently for our purpose, without causing a great deal of additional expenditure, we would willingly meet any proposal that the War Office might make to us.

2168. (To Dr. *Anderson.*) Do you see any difficulty in the Committee at Woolwich having a conference with a representative of the Comptroller and Auditor General in order to see exactly what is the minimum which would satisfy him?—None at all; and I may say we are working very much in concert with the Comptroller and Auditor General and his staff; we try to satisfy him as far as we can. I think Sir Charles Ryan will assent to that. (Sir *C. L. Ryan.*) Certainly.

2169. (To Sir *C. L. Ryan.*) Do you see any reason why the submissions that you have made, and which are now before this Departmental Committee, should take so long as a year and-a-half to settle, having regard to what you said just now?—If the members of that Committee were disengaged men, I do not think it ought to take anything like so long. The real difficulty, as I understand it, is that their other duties prevent their giving time to this work.

2170. We are told that they meet once a week?—They must be considering other things, I presume.

Sir *John Hibbert.*

2171. (To Dr. *Anderson.*) Where does the Committee meet?—At the Arsenal.

2172. (To Mr. *Knox.*) With respect to the reason

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Sir *John Hibbert*—continued.

reason you gave just now against the proposals made by the Comptroller and Auditor General, namely, that it would cause great delay if such plans were carried out, is that a stronger objection, in your mind, than the one of expense?—I think it is. As the Committee, no doubt, will remember, when these accounts were first started, it was arranged, with a view to working the system, that the Factory Accounts should be rendered much earlier than the other Appropriation Accounts; in fact, this production voucher forms a voucher to both the Army and Navy Accounts, and it must be ready in advance of these Appropriation Accounts. Any system of this kind, which means the tracing of the progress of expenditure against every process in the manufacture of an article, and the reconciling of them minutely, would so delay the rendering of the account that it would practically not be available as a voucher to the Army and Navy Accounts.

2173. Is that the principal reason why you are unable to agree to the proposals of the Comptroller and Auditor General?—It is in my mind, certainly.

2174. (To Sir *C. L. Ryan.*) With regard to paragraph 1 of your Report, I understand that several of the recommendations made in interim Reports of the Departmental Committee have been carried out; can you tell me whether those recommendations have made it possible for you to have your audit more satisfactory than it was previously?—Unquestionably the audit is very much more satisfactory than it was at the outset. The War Office have made very considerable improvements in their accounts, which have enabled me to follow the accounts more closely, and therefore to institute a more satisfactory audit.

2175. I gather that they are not yet "fully satisfactory"?—I think there are still links wanting to enable me to trace the expenditure through.

2176. To carry out the suggestion made by Mr. O'Connor, would it not be possible for you to have some kind of conference with the Departmental Committee upon the points of difference between you?—Speaking for myself, personally I should be very glad to assist in anything that would carry out, as I think, a public object with the least cost and the least delay.

2177. You would not desire at all that an expense of 20,000*l.* a year should be incurred if it could be avoided?—Of course not.

2178. (To Dr. *Anderson.*) Supposing you continued to preside over this Committee, would it be possible to release the other members from all their other duties, so that they might devote themselves to this Committee only, and work off the questions quickly?—I can only answer for my own Civil Assistant, and he certainly could not be spared; he is responsible for all the accounting work of the Ordnance Factories. The other officers are all connected with Mr. Knox. I do not know what answer he would give. (Mr. *Knox.*) My assistant gives all the time he possibly can give to the Committee.

2179. Could he not be spared to work exclusively for this Committee, you taking some other man in his place?—No, I think not. Of course a great deal depends upon getting the members of the Committee together; Dr. Anderson is the most important member of the Committee, and his time is more occupied than anybody else's.

2180. (To Dr. *Anderson.*) If your assistant were devoted entirely to this duty, could not you appoint the next senior man, for instance, to act for him in his official work?—Yes; but that is not the only difficulty; the difficulty lies also in introducing changes in a complicated manufacture where the men have to be paid every week; any change we introduce must be so gradual that the necessary checks week by week should not be disturbed; and that can only be done slowly. If we could stop the Factory altogether and start upon a new system, it could very soon be done; but we have to gradually introduce the changes, having regard to possible difficulties, to old-fashioned ideas, to the reluctance to make changes, and to the difficulty in understanding the reasons of the changes; it is altogether a very difficult business. It can only be done slowly; anything of a violent nature would, I think, only lead to confusion.

Mr. *Arthur O'Connor.*

2181. In saying that, you are speaking of the actual work of manufacture?—No; I am speaking of the method of ascertaining the cost of manufacture and the checks upon the payments of the men.

Royal Gun Factory.

Transfer of Accounts to Central Office.

Mr. *Alpheus Morton.*

2182. (To Mr. *Knox.*) What is the meaning of the "centralisation of Factory Accounts" referred to in this paragraph?—Formerly the system was that each Factory kept its own accounts, and was responsible for those accounts, and that they were practically, therefore, under the control of the manufacturers; that is to say, the Gun Factory was under the superintendent of the Gun Factory, and he arranged how the accounts should come out; the head of the Carriage Department similarly arranged how the Carriage Accounts were to come out. The system that has been introduced is that there is no possible power within these Factories of manipulating those accounts at all, and that is effected by the establishment of a Central Office, which, by means of independent work-takers, keeps an independent record of all expenditure that goes on in each one of the Factories. The accounts have thus been centralised in the Central

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ARMY (ORDNANCE FACTORIES) ACCOUNT.

Transfer of Accounts to Central Office — *continued.*

Mr. *Alpheus Morton*—continued.

Central Office. All the Factories at Woolwich are now working under this condition, the last of them having been taken over on the 1st April this year as has been stated by Dr. Anderson.

2183. It is stated in the Report that this may be considered as the first step towards a gradual centralisation of Factory Accounts; is all that completed now?—Yes, all at Woolwich have been centralised. There are still outstanding accounts at Enfield, the Small Arms Factory, and accounts at Waltham Abbey. Those are both done on the spot and under the charge of the superintendents there; they are, of course, subject to check. But the intention is to centralise them all.

2184. (To Sir *C. L. Ryan.*) When this is done this will give you, will it not, an opportunity of making a more complete audit?—It will be an improvement in the method of keeping the accounts.

STOCK-TAKING OF SEMI-MANUFACTURED REMAIN ON 31ST MARCH 1892.

Mr. *Arthur O'Connor.*

2185. (To Dr. *Anderson.*) There was a Remain taken of semi-manufactured articles on 31st March 1892; that being taken as the basis, it appears from paragraph 5 of the Report that in the case of finished articles the numbers issued in 1892–93, together with the numbers in Remain on the 31st March 1893, were in numerous instances in excess of those recorded as produced within the year when added to the Remain as stated on the 1st April 1893. It is perfectly clear that there was something wrong there, and the Comptroller and Auditor General says that, when he asked for an explanation, he was told that "investigations had failed to show how the differences had arisen;" but it was assumed that they were traceable to errors in the earlier Remain, and accordingly the numbers shown in that Remain were altered in order to balance the account. I suppose that that is looked upon as as a perfectly illegitimate official proceeding; do you approve of that?—I cannot say that I do. The error arose from imperfect stock-taking of the Remain.

2186. In March 1892?—Yes, I may say up till last year. Last year was the first time that we really took a deliberate and careful stock-taking of the Remain; we closed the Factories for two or three days to do it.

2187. You assumed, therefore, that your base line, so to speak, of March 1892, was erroneous?—Yes.

2188. You accordingly altered the figures taken on that assumption?—Yes.

2189. What authority had you for doing that; did the Secretary of State sanction it?—No; it was done by the Department.

2190. As I understand, the facts are these:

ARMY (ORDNANCE FACTORIES) ACCOUNT.

Stock-taking of Semi-manufactured Remain, &c. —*continued.*

Mr. *Arthur O'Connor*—continued.

you have an official record of stores in hand; you take that as the basis of the calculation; you manufacture new stores, and add the total number to those which you start with. Then you issue certain stores, and you have a balance which does not agree with what it ought to work out at; and then you alter your original datum?—Yes, because the original datum was only an estimate.

2191. Surely the original basis was an actual figure?—The value of the Remain is only an estimate, in all cases.

2192. It is not a question of value; the paragraph speaks of the number issued?—The issues and the actual quantities made do not tally, because you do not issue all you have made.

2193. Let us see. It says that the result of investigation had "failed to show how the differences had arisen, but that they were attributed to errors in the earlier Remain, the numbers of which had been altered accordingly in order to balance the accounts. The result of this alteration has been an addition to the numbers of articles, while the total cost of production remained unchanged, and a consequent reduction in the average price of issue of such articles has taken place, owing to the distribution of the same total cost over a larger number of items, with the effect (in cases where the issue in 1892–93 has not been to the same service as in the previous year) of a cheapening of the supplies to one service in 1892–93 at the expense of a different service in 1891–92." I see this variation goes to almost 50 per cent. in some cases?—Yes; in this particular case, as you see, the articles are very few in number, and any slight mistake in the valuation of unfinished work would lead to very great error.

2194. But if you can vary your rates of issue from 32*l.* to 52*l.* in 18 months, what becomes of the value of your returns with the price of your labour and materials, and this elaborate calculation which you make in regard to the cost of the Factories every year?—The value of the issues depends upon the valuation of the Remain, both at the beginning and end of the year. In this particular case it was only six or seven articles in each case——

2195. The principle is the same, however many articles are involved?—Yes; but you have to value your semi-manufactures at the beginning and end of the year, and it is very difficult to assign a real value to semi-manufactures.

2196. The Comptroller and Auditor General goes on to say, "In the case of unfinished articles" . . . "as the errors in the Remain were discovered" in the previous year "by stock-taking, this check might with advantage have been applied to the Remain existing on the 31st March 1893; but this does not appear to have been done"?—No, but we are doing it now.

2197. In the year 1894?—Yes.

Army (Ordnance Factories) Account.

Stock-taking of Semi-manufactured Remain, &c. —*continued.*

Mr. *Arthur O'Connor*—continued.

2198. What was the first Remain you referred to as having been satisfactory?—It is the one taken at the end of last year, and the beginning of this year.

2199. It is not yet completed?—It will come into this year's Account.

2200. May we assume that from this date, at all events, we start with a datum line which is reliable?—Yes, I think so.

Mr. *Alpheus Morton.*

2201. Is the question involved in this paragraph 1 of stock-taking?—Yes.

2202. (To Sir *C. L. Ryan.*) Is this similar to the questions we have had before us previously, where you suggested that an independent stock-taking might be useful?—I think it is in the same position as any other stock-taking by a Department.

2203. Do you think it would be any advantage to us here, if we had an independent stock-taking, bearing in mind what has been said about the stock-taking?—That is a very large question that would have to be considered by itself, I think.

2204. I want to know whether it comes under the same category as the other matters we have discussed with regard to independent stock-taking?—I think all stock-taking comes practically in the same category.

Allocation of Semi-manufactures between Services.

Chairman.

2205. (To Mr. *Knox.*) In the latter part of paragraph 6, the Comptroller and Auditor General says, with regard to the allocation of values, there may be an improved method extended to the whole output of the Factory, and that he has been informed that the Secretary of State is not without hope, that in the course of time it might be found possible to effect this: are you able to say whether this has been done, or is being done?—This point has been considered, and although hope was expressed that, in the course of time, it might be found possible to extend it, yet the experiments which have been made rather point to the reverse conclusion. It has been ascertained that, so far as the gun forgings are concerned, this method can be applied, but as regards the rest of the output of the Factory there are very great difficulties in the way; so much so, that, practically, instead of its being found possible, it has been found impossible.

2206. Is that so, as regards the whole output?—Yes, anything beyond gun forgings.

2206*. (To Sir *C. L. Ryan.*) Have you anything to remark upon what Mr. Knox has said?—I learn what Mr. Knox says for the first time, and I am unable to deal with it on the spur of the moment.

Army (Ordnance Factories) Account.

Allocation of Semi-manufactures between Services—*continued.*

Chairman—continued.

2207. Can you say whether you could deal with it in time for our Report?—I doubt very much whether it could be dealt with in time for the Report.

Adjustments of Half-wrought Material in Departmental Store Ledgers.

Chairman.

2208. (To Mr. *Knox.*) In the last sentence of paragraph 7 the Comptroller and Auditor General states that he has "inquired whether it is proposed to extend the independent stock-taking by the War Office to these Departmental Stores at the Royal Gun Factory, to which inquiry no reply has yet been received." Has any reply been subsequently sent?—Yes, a reply has been sent.

2209. Could you tell us the substance of it?—The tenor of it is, that it is not considered that the independent stock-taking would be of use. The errors that took place are really not in the Remains but rather in the records of the issues.

2210. Do I understand the conclusion to be that the independent stock-taking could not be extended to these stores?—No; the stock-taking is certainly intended to be continued, but what is believed to have happened here is that, in posting the issues of these stores, errors have from time to time crept in, and those errors it is very difficult indeed to guard against.

2211. But the question is whether independent stock-taking can be extended by the War Office to certain Departmental Stores?—An independent stock-taking of stores is always going on. We have a staff there which is employed in taking the stock generally throughout the whole Arsenal, and as a War Office check, as a test, they do take from time to time the stores in manufacture; there is also a stock-taking which the Director General takes himself.

2212. Then your reply is that independent stock-taking by the War Office already exists?—Yes, it exists; but it is not a complete stock-taking; it is a check stock taking.

2213. (To Sir *C. L. Ryan.*) Have you any remark to make after the explanations that have been given?—I think that the answer, practically, is that the error was not in the stock-taking; that there is a test stock-taking, though not a complete one. All I can say is that I think I should prefer to watch and see if these errors in the issues occur in future rather than press for any further extension in the stock-taking at the present moment.

Mr. *Webb.*

2214. (To Dr. *Anderson.*) Do you expect to be able to overcome this difficulty with regard to these very large discrepancies?—Yes, I think so, in very great measure.

2215. Do

23 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., Mr. Knox, C.B., and Mr. Anderson, D.C.L., F.R.S., M.INST.C.E. [*Continued.*

ARMY (ORDNANCE FACTORIES) ACCOUNT.

Adjustments of Hall-wrought Material, &c.—*continued.*

Mr. *Webb*—continued.

2215. Do you appreciate how the mistake has come about in past years, so as to guard against it for the future?—The mistakes have been made in appropriating the materials.

2216. Has the mistake occurred in the workshops; does each workshop send a precept for certain materials?—Yes.

2217. And a mistake has occurred in it?—Yes, in the record of it.

2218. Does the total record agree, or is it only in a particular workshop?—The total has come correct, but the mistake arose in the way the materials were allocated to the particular work. One cause of difficulty with us is, that we have so frequently to change the allocation of the work. For instance, if we are making a gun for the Navy, and the Army suddenly wants a gun, by arrangement it is changed to the Army; in cases of that kind confusion very often arises.

Mr. *Arthur O'Connor.*

2219. What is the process of transfer?—It is done first of all by agreement between the War Office and the Admiralty, and then a paper transfer is made; a proper order is given, and the transfer is made by vouchers.

2220. Cannot that order be sent to those who have the recording of these things?—Yes; but it is there that errors creep in sometimes.

Mr. *Webb.*

2221. Supposing you have got a certain amount of materials into your workshop to make certain guns, whether they are made for the Army or the Navy, why should it make any difference?—It is only in cost keeping that it comes out. You must transfer the materials from the Navy to the Army if you transfer the gun, or else the Navy would have to pay for it.

Mr. *Alpheus Morton.*

2222. (To Mr. *Knox.*) What is the meaning of the independent stock-taking by the War Office referred to in this paragraph; is there an independent stock-taking at all now?—Yes; a test stock-taking.

2223. By officers in your Department?—Yes.

2224. We have discussed that question at previous meetings of this Committee, have we not?—Yes; the stock is taken by independent officers under me.

2225. Not independent of the War Office?—No; it is by the War Office.

2226. (To Sir *C. L. Ryan.*) Does not your question with regard to stock-taking refer to this matter just as much as to the others?—Yes; I think you may take the answer as to stock-taking as a general one.

ARMY (ORDNANCE FACTORIES) ACCOUNT.

Adjustments of Hall-wrought Material, &c.—*continued.*

Mr. *Arthur O'Connor.*

2227. (To Dr. *Anderson.*) With regard to the adjustment referred to by the Comptroller and Auditor General in this paragraph of iron rolled forged billets, valued at 92*l.*, are we to understand that there was an error in the store accounting by which, though those billets were actually issued, the issue was not recorded?—I think it is so.

2228. Does that mean that there was no record of any issue of anything, or that, by mistake, an entry was made of the issue of some other articles in another column?—The question of these forgings has arisen from a division of the forgings of each ingot into three qualities, and the amount of each quality in each ingot was a matter of estimate, and in the long run the estimate did not come out correct; the percentage allowed for waste and so on did not come out correct. That is the way the errors have arisen.

2229. It appears that it was not altogether a question of wastage; but, as I understand, it is the case that certain iron rolled forged billets were issued, and that no record was made of the issue; is that so?—Apparently it was so.

2230. Having got that situation, I want to know what is there to prevent issues being made of other articles to a very considerable extent without any record of the issue?—There is only the vigilance of those connected with the administration of the Factory.

2231. But if these things can be issued without record on Monday, other things can be issued without record on Tuesday, and so on?—They are not issued out of the Factory, but merely to the various works going on in the Factory.

2232. If that be so, did you, although there was no record of the issue from this particular Department, find an entry of receipts on the books of some other Department?—No; it was in the same Department.

2233. Then you have no record at all?—No.

2234. Under those circumstances I ask you why cannot these articles or other articles be issued, and get into the hands of those who have no right to possess them, without your having any record?—We hope to have that all right now by placing all material into store.

2235. We are to depend upon your hope, are we?—Yes; we are doing our best.

Chairman.

2236. But I understand when you say you "hope" to have it all right now, that means that you really will have it?—We depend upon fallible men; we cannot keep them from making mistakes.

2237. Barring personal error, to which everybody is liable, you will have the particular check which the honourable Member desires?—Yes, that will be the case. This, of course, is a small matter in tens of thousands of transactions.

Army (Ordnance Factories) Account.

Torpedo Factory.

Present Mode of Accounting Incomplete.

Chairman.

2238. (To Dr. *Anderson.*) In the last two lines of paragraph 8, the Comptroller and Auditor General says that in several respects the present mode of accounting is still incomplete, and the attention of the War Office has been directed to various points in which improvement seems possible; you have noticed those points, doubtless?—Yes.

2239. Have you made the improvement desired by the Comptroller and Auditor General?—In a great measure; not altogether, I am afraid.

2240. Do you hope to accomplish the remainder?—It all turns upon the piece-work ledger question; if we can only accomplish that I think Sir Charles Ryan will be satisfied; but I do not know whether he will be satisfied with anything short of that.

2241. You think this piece-work ledger is not attainable?—It is peculiarly difficult in the Torpedo Factory from the enormous number of parts in the torpedo; for instance, there are extremely minute screws that you can scarcely see; and to keep a piece-work account of every operation upon these minute things would involve a tremendous amount of bookkeeping.

2242. More than the thing is worth, in your opinion?—I should think so.

2243. Both as regards time, labour, and expense?—Yes.

2244. (To Sir *C. L. Ryan.*) Have you anything to remark upon what Dr. Anderson states?—I have no further observations to make upon this point. It is really the same question that has been dealt with before.

2245. But the question, as I understand, according to Dr. Anderson, is, whether the system known as piece-work ledgers could possibly be applicable to the manufacture of torpedoes, owing to the extreme minutiæ in the details of manufacture?—That is the question we have already discussed; it is the same point, practically.

2246. Dr. Anderson explains that, in his opinion, the structure of torpedoes is so minute that this piece-work ledger, though possibly applicable to other articles, is not applicable to these; do you agree with that opinion?—The question of distinguishing the items in the piece-work ledgers, and carrying it into the records is the whole question we have been discussing in thep revious paragraphs; it is the same question only applied to a different shop.

2247. You think if it is applicable to anything it is applicable to torpedoes?—I am not prepared to express an opinion upon that at the present moment.

Sir *John Hibbert.*

2248. You consider this to be a question upon which you would confer with the Departmental Committee if you conferred with them upon the other questions?—Certainly; it hangs upon the others.

Mr. *Arthur O'Connor.*

2249. (To Dr. *Anderson.*) I suppose you find it very difficult to measure piecework which is constantly going on; until you get at the completed stage there is nothing actually to gauge?—Yes; if you have, for instance, a thousand pieces of a torpedo, and each piece has five or six or more operations on it, naturally you would have to keep a separate record for each piece, and each operation on each piece; and that would involve an appalling amount of bookkeeping.

2250. I suppose, for your own satisfaction in the Department, you have some system of checking the work from stage to stage?—Yes, several systems.

2251. Whatever system you have for your own satisfaction, could not that be used to satisfy the Comptroller and Auditor General?—I hope so; I think we could satisfy the Comptroller and Auditor General.

2252. I do not see where the difficulty is; if you have a system of checking the work for your own satisfaction, why should not the Comptroller and Auditor General be furnished with material that would satisfy him?—I do not think there would be any trouble in coming to an understanding with the Comptroller and Auditor General.

Royal Laboratory.

Work-taker System Incomplete in 1892–93.

Chairman.

2253. (To Mr. *Knox.*) In the last three lines of paragraph 9 the Comptroller and Auditor General says he has called the attention of the War Office to a transaction which seemed to indicate that certain duty still continued in the hands of the foremen, an arrangement which he evidently regards as objectionable; and he goes on to say that to this reference no reply had been received at the date of the Report; has any reply been sent since?—A reply has been sent. I may point out that this is practically the same question as that involved in paragraph 2 as to the independent work-takers at the Laboratory; and as I explained in connection with that paragraph, the independent work-takers, or time-keepers, as they were formerly called, are now called work-takers, and report to the Central Office. The same system is in operation at the Royal Laboratory.

2254. (To Sir *C. L. Ryan.*) Are you satisfied with the explanation that has been given?—If it is carried out as proposed, yes.

2255. (To

Army (Ordnance Factories) Account.

Increased Cost of Manufacture of Shells in 1891–92.

Chairman.

2255. (To Dr. *Anderson.*) In paragraph 10 the Comptroller and Auditor General states that he asked for an explanation of the increased cost of certain shells, and received a reply wherein it is stated that the increase in price is mainly due to the increased price of steel; but he does not seem to concur with that view, according to his information; and he addressed a further communication to you, to which he had not received a reply at the date of his Report; has a reply since been sent?—No; but the discrepancy was not due to the increased price of steel, as was stated in the first answer of the Department.

2256. Then apparently the objection taken by the Comptroller and Auditor General is admitted?—Quite so.

2257. (To Sir *C. L. Ryan.*) Are you now satisfied upon this point?—I have not received any answer to my second communication; but I understand now that practically the contention is admitted. (Mr. *Knox.*) The Department is inquiring into it, I believe, but they have not yet come to a satisfactory conclusion as to what the cause was.

2258. In the meanwhile they admit that the Comptroller and Auditor General's information was more or less correct?—Quite so.

2259. (To Dr. *Anderson.*) When will this matter be decided; will it be decided in time for our Report?—Yes, I should think so.

Mr. *Mowbray.*

2260. Who was responsible for sending to the Comptroller and Auditor General an explanation which appears not to have been correct?—It was a mistake in the Department. In the Royal Laboratory they accounted for the discrepancy by the increase in the price of steel.

2261. Did they take any pains to ascertain whether the information was correct?—I suppose so; but apparently they were mistaken.

2262. Is it not a very remarkable thing that the Department should give, in reply to a request of the Comptroller and Auditor General, information which is entirely incorrect?—I am afraid it was so in this case. This error happened under the old *régime*; it could hardly occur now. We only took the Laboratory over at the Central Office on the 1st of April last.

2263. If an explanation were now asked for by the Comptroller and Auditor General would the explanation given by the Department be submitted to some further check than this information was subjected to?—Yes; it would probably be checked in the Central Office.

2264. This information was forwarded direct without being checked?—Yes, it could not then be checked.

2265. Do you think that the introduction of the central check would prevent such a thing happening again?—It is certain to prevent it.

Army (Ordnance Factories) Account.

Increased Cost of Manufacture of Shells, &c.—*continued.*

Mr. *Arthur O'Connor.*

2266. Are we to understand that to explain an apparent error in the accounts the Department furnished an explanation, false in fact?—Yes; apparently it is so.

Chairman.

2267. (To Dr. *Anderson.*) In the last three lines of paragraph 11 the Comptroller and Auditor General says that he has asked for an explanation of a certain transfer, and for the authority under which it was made, but there has not been time for a reply to be received; has a reply been sent since the issue of the Report?—Yes, a reply has been sent to the Comptroller and Auditor General.

2268. To what effect?—The reply is that "the system under which expenditure on articles of a somewhat similar nature has been amalgamated for the purpose of securing more uniform rates or obviating inequalities in the incidence of charge has obtained in the Royal Laboratory for some time past, but will be avoided in future." (Mr. *Knox.*) This is one of the things which it is hoped will be checked by the accounts being independent of the Factory. The Factory will no longer have the power to do anything of this kind; it will be done by the Central Department, so that there is an independent check in future.

2269. (To Sir *C. L. Ryan.*) Have you any further remark to make after the explanation which has been given?—No; the error is admitted, and there is nothing more to say.

Mr. *Webb.*

2270. (To Dr. *Anderson.*) Who is responsible for making the great change in the cost ledgers of the Laboratory. It appears that the amount in the cost ledgers was 41,307*l.*, and that is put out at 56,198*l.* That must have been deliberately done, I presume, by somebody?—It is a question of working by fellowship. The projectiles are all made under one cost, and then the actual cost of each nature is divided by estimate; it is very much a question of estimate. The total sum expended is correctly accounted for, but the division between the various natures of projectiles is estimate. That was under the old system.

2271. There is a large discrepancy here. The total amount is right to a farthing, and then in the way it is divided there is a very great difference?—The difference is in the way it was done. For instance, we will say that 100 steel shell and 50 cast-iron shell of a different size are made together, and the total cost of those is accurately known, but the cost of each individual sized shell is arrived at by estimating. That estimate was somewhat elastic.

2272. Then one of these is the estimate price, and the other is the absolute price?—The total is absolute, but both the one and the other of these are estimate.

2273. Which is the correct one?—The last

Mr. *Webb*—continued.

one is the correct one, or the more nearly correct one.

Sir *John Hibbert.*

2274. That also is an estimate really, is it not?—That is an estimate also; it is an estimate, based upon certain facts, as, for instance, the piecework prices of various operations; but still there used to be a good deal of estimate about it.

Chairman.

2275. I suppose the second one is a sort of revised estimate?—Yes.

Mr. *Webb.*

2276. Under the present arrangement could this occur?—No, it could not occur now.

Comparison of Factory Cost with Contractors' Prices.

Chairman.

2277. (To Mr. *Ryder.*) From the last two or three sentences of paragraph 18, it appears that the Treasury suggested that the Comptroller and Auditor General should make a comparison of prices and report to Parliament that he had done so, and that he should also report whether the results appeared to him satisfactory or otherwise; but the Treasury appear to have attached the condition that he should withhold the particulars in deference to the objections of the War Office. The Comptroller and Auditor General goes on to say that it appeared to him that the advantages to be expected from the intervention of his Department under the restrictive conditions referred to, were not sufficiently weighty to countervail the grave disadvantages of an arrangement which would limit the scope of his Report to Parliament, and therefore he has taken no further steps in the matter. There is a correspondence with regard to this question in the Appendix; have you any general observation to make to the Committee upon this point?—I have very little to add to the correspondence that has been printed. The Treasury had before them the fact that the War Department thought it inexpedient to publish the details; they held that it would be a breach of faith with the contractors, and they seemed to have other objections to the publication of the prices. On the other hand the Treasury thought there might be a great deal of advantage in the comparison being made. All the materials for the comparison were to be given by the War Department to the Audit Office, and the Treasury hoped the Audit Office would be content to use those materials, and tell Parliament the result of the comparison in general terms. Apparently,

Chairman—continued.

however, the Comptroller and Auditor General does not think it worth while to do that. The Treasury, I think, would be disposed to regret the decision at which he has arrived.

2278. Does the Treasury still adhere to its own opinion?—So far as I am capable of speaking for the Treasury, I think the Treasury would adhere to its opinion that there might be an advantage in the comparison being made, though the result was not published in detail.

2279. (To Sir *C. L. Ryan.*) Have you anything further to say to the Committee upon this question?—I do not know that I can explain the position to the Committee more clearly than is done in the correspondence and in my Report. The objection which I make is one rather of principle than otherwise. I think, acting as I am acting in this matter, entirely as the officer of Parliament, if I am debarred from bringing before Parliament any details that seem to me to be necessary to support my conclusion, I am placing myself in a position in which I cannot render the same amount of assistance which I otherwise could. I might be challenged, for instance, in this way: it might be said, "You have formed an erroneous conclusion as to the facts;" and, under this restriction I could not produce the facts in support of my opinion. I do not think that a Parliamentary officer, acting as a Parliamentary officer (and it is only in that respect that I am acting here), ought to be placed in a position in which he cannot produce his authority for any statement he makes.

2280. You think under those circumstances you ought not to make the comparison?—I think it might lead to inconvenience if I did so.

2281. Are you inclined to agree with the opinion that there might be objection to your giving the details?—That is the opinion of the War Office; that I am not prepared to discuss.

2282. You would not be prepared to gainsay it either?—No, I would not be prepared to gainsay it.

2283. You adhere to your opinion that you would rather not undertake a comparison under those conditions?—I adhere to the opinion that it would be undesirable that I should undertake this duty under the conditions.

Sir *John Hibbert.*

2284. Is your opinion the same whether the results are published or not published?—My opinion is the same, if I am to do it under the restriction of secresy with regard to the comparisons which have to be made; that is to say, if I am not allowed to produce my authority for any statement that I make in the Report.

[Mr. *Knox* and Dr. *Anderson* withdrew.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1892-93.

Mr. Edward W. Hamilton, C.B., and Mr. Henry William Primrose, C.S.I., called in; and Examined.

Consideration of the General Report of the Comptroller and Auditor General postponed.

Class I.

Public Works and Buildings.

On Votes 1 to 6, no Questions.

On Vote 7.

Diplomatic and Consular Buildings, New Works.

Chairman.

2285. (To Mr. *Hamilton.*) At page 38, paragraph 2, you will notice the Comptroller and Auditor General says, with regard to certain unforeseen expenditure, that the circumstances under which this unforeseen expenditure arose are explained by the Accounting Officer on the Appropriation Account. It will be observed that two cases are shown where expenditure has been incurred in excess of the amount provided, and 10 cases for which no provision has been made; have you any remarks to make to the Committee upon that point?—I do not think I can add anything to the note in the Appropriation Account. I think that sufficiently explains the reason why those two expenditures, which had not been provided for, had to be incurred. It was a matter of urgency, as the Committee will see, in the case of Zanzibar, and in the case of Beira provision had been made in last year's Estimate; but the cost fell in 1892-93, and therefore the money was paid out of the previous year's Vote.

2286. Then you adhere to your opinion that this expenditure was necessary?—I think the circumstances justified the expenditure in both cases.

2287. The Treasury, then, consider it within the limits prescribed by Parliament?—I think so.

2288. (To Sir *C. L. Ryan.*) Have you any further remark to make?—No; it was merely a statement of fact; there was no fault found in the Report.

Chairman—continued.

Mr. *Buchanan.*

2289. Are not 10 new works, for which no provision has been made, rather a large number?—I do not know that it is a very large number, considering what the total number is, and considering the very great difficulty of making the estimate accurate. A very careful estimate is made under this head for buildings all over the world; but it is very difficult to estimate accurately.

2290. (To Mr. *Primrose.*) Is the number for which no provision is made larger than usual?—The honourable Member will see that a considerable number of these items are of very small amount. On the two preceding pages, for instance, under the head of Constantinople, there are two amounts 11*l.* and 63*l.*; then there comes a larger one, but several of them are small works; and the large number of these cases arises, as Mr. Hamilton has pointed out, from the difficulty of determining beforehand what you would require to do at all these different places, many of which are a long way off.

2291. Is it generally the case that you find such a number for which no provision has been made?—I think in this Vote you generally find rather more cases of that kind than in other Votes.

On Vote 8.

Revenue Department Buildings, Great Britain.

New Works.

Chairman.

2292. (To Mr. *Hamilton.*) In the last sentence of paragraph 2 the Comptroller and Auditor General says he is of opinion that in future, whenever remanets of expenditure occur, certain additional detail should be furnished in order that full information on the subject may be

Chairman—continued.

afforded to Parliament; have you any remark to make upon that?—I think the Treasury would consider that it would be well that the suggestion made by the Comptroller and Auditor General should be acted upon.

Appropriation Accounts.

On Vote 9.

Public Buildings, Great Britain.

Excess.

Chairman.

2293. (To Mr. *Hamilton.*) You will see what is stated towards the end of paragraph 1 of the Report on this Vote, that no part of the excess receipt was properly available to meet expenditure under the rule laid down to govern such cases; and the Comptroller and Auditor General goes on to say, "it is moreover laid down" "that any amount of Appropriations in Aid realised in excess of the estimate is to be surrendered to the Exchequer." Have you any observation to make upon that?—The Committee are no doubt aware that this excess has been made good by an Excess Vote already presented and passed by Parliament; and therefore this irregularity, which I think the Comptroller and Auditor General implies, has been practically made good by the action which Parliament has already taken upon it.

2294. (To Sir *C. L. Ryan.*) Have you any remark to make upon this point?—No; the Committee have already had this Report before them when they were considering the excesses; they went into the whole question then.

2295. This was considered on the First Report made by the Committee, was it not?—It was.

2296. Therefore we may pass this now?—It has been dealt with already.

New Works.

Chairman.

2297. (To Mr. *Hamilton.*) In paragraph 2 the Comptroller and Auditor General remarks that the authority of the Treasury has not been furnished to him for an over expenditure in certain cases; perhaps that authority has since been sent to him?—The reason why the authority of the Treasury was neither asked for nor given was that as the Vote was in a deficit the Treasury considered they had no power to sanction the excesses; but now, as Parliament has voted the excesses, it would be well that sanction should be asked and accorded by the Treasury to make this good.

2298. (To Mr. *Primrose.*) Will that be done?—Yes, if it is considered desirable, it can be done.

2299. You have heard what Mr. Hamilton has said?—Perhaps you will kindly see to that being done?—Yes.

Mr. *Webb.*

2300. Could not this expenditure of 4,067*l.* have been put off; was it necessary that the work should have been done at that time?—It would have been possible to put off the works, but at the time they were carried out we had no reason to think that the Vote would be insufficient, and they were works it was extremely desirable to do. I think the two particular works that

Appropriation Accounts.

New Works—*continued.*

Mr. *Webb*—continued.

produced this excess were the completion of the Foreign Office, and some buildings at the Admiralty.

2301. At the time you thought you had sufficient money to do it?—Yes.

[Mr. *Primrose* withdrew.

On Vote 11.

Harbours in the United Kingdom, and Lighthouses Abroad under the Board of Trade.

Sombrero Lighthouse.

Chairman.

2302. (To Mr. *Hamilton.*) In paragraph 2 of his Report on this Vote, the Comptroller and Auditor General states he is informed that the arrangements proposed by the Board of Trade for the final settlement of the staff at the Sombrero Lighthouse has not yet been submitted for the approval of the Treasury, but that the Board of Trade intend shortly to submit their scheme. Have you any information to give the Committee upon that point?—The last communication that passed on the subject was in January last; that was a letter from the Board of Trade to the Treasury, in which they said that the matter was still under consideration, and they hoped very shortly to submit a scheme; since that we have not heard further.

2303. This point, I presume, can hardly be settled before we report?—I should doubt it.

2304. (To Sir *C. L. Ryan.*) Have you any further remark to make upon this point?—No, I have nothing to say.

On Vote 13.

Caledonian Canal.

Revenue.

Chairman.

2305. (To Mr. *Hamilton.*) The Comptroller and Auditor General states, in paragraph 3 of his Report on this Vote, that he is not able to enter into the question as to whether the rates of canal dues and tolls are fixed sufficiently high to provide an annual revenue adequate to meet normal annual expenditure without having recourse in future to Parliamentary aid; he apparently apprehends that the rates and tolls may perhaps not prove sufficient; have you any observations to make upon that, or any information to give the Committee?—No; I think it is hardly a question I am able to enter upon any more than the Comptroller and Auditor General. As the Committee are aware, this large Grant in Aid has been made to the Caledonian Canal recently, and, as I understand, the Commissioners have undertaken to consult the Treasury before any appreciable excess of expenditure is incurred; but I do not know that we have any real power beyond that.

23 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Mr. Hamilton, C.B. [*Continued.*

Appropriation Accounts.

On Vote 16.

Railways, Ireland.

Payments to a Contractor not covered by Terms of Contract.

Chairman.

2306. (To Mr. *Hamilton,*) In the last sub-section of paragraph 3 of his Report on this Vote, the Comptroller and Auditor General says the Treasury have sanctioned the payments made by the Commissioners of Public Works to the contractor; but he goes on to state that it is his duty to notice the facts that payments not covered by the terms of the contract have been made, and that the total amount paid is also in excess of the value of the work performed; have you any observation to make upon the statement?—No doubt the Comptroller and Auditor General was strictly correct when he stated that up to the 31st December 1892 payments not covered by the terms of the contract had been made; and also that the total amount paid was in excess of the value of work performed. But since then the amount received by the contractor is exactly equivalent to the amount which was paid for the work, and, therefore, the amount paid is not any longer in excess of the value of work performed. The Comptroller and Auditor General could not have been aware, at the time of his Report, that that was the case.

Chairman—continued.

2307. (To Sir *C. L. Ryan.*) Have you any observation to make after what Mr. Hamilton has said?—I am quite satisfied that at the present time there is no longer any payment in excess of the amount due under the contract. It has been worked up since, and the question is now cleared and setled.

[Mr. *Hamilton* withdrew.

NAVY APPROPRIATION ACCOUNT, 1892-93.

Sir Gerald FitzGerald, K.C.M.G., and Mr. Gordon W. Miller, called in; and Examined on the Postponed Paragraphs 17 and 20.

On Vote 8—III.

Contract Work.

Waiving of a Claim against Contractors in respect of Unfinished Work on H.M.S. "Blenheim."

Chairman.

2308. (To Sir *Gerald FitzGerald.*) In paragraph 17 of the Comptroller and Auditor General's Report, the last sub-section is to this effect, that in the circumstances above set forth the Comptroller and Auditor General has "inquired whether the abandonment of claim, and the consequent charge to Navy Votes, has been referred to the Treasury, but up to the present" he remains "without information on this point, which seems important, inasmuch as similar cases are not unlikely to occur." Have you now any final observations to make upon that point?—The Treasury have written a letter to us, dated 2nd May (which is printed in the correspondence in Appendix Paper 4) approving of what the Admiralty has done in this matter. (Mr. *Miller.*) They have approved of the abandonment of the claim.

2309. (To Sir *C. L. Ryan.*) Have you any remark to make upon that?—The correspondence has been forwarded to me, and I have, since the Committee met, not merely had an opportunity of considering the question on paper, but I have actually been to some of the Dockyards, and have seen the nature of the gratings which were supposed to be provided for in the specifications. I am therefore able to say to the Committee, without any hesitation, that I think this was a claim which has been rightly abandoned against the contractors, and that the paragraph may be cleared.

Chairman—continued.

Mr. *Arthur O'Connor.*

2310. (To Mr. *Miller.*) With regard to the Admiralty letter of the 3rd March 1894, I do not quite understand the system of accounting, in respect of which it is aid in paragraph 5 of that letter, "This will leave the difference between the actual cost of the work done at the Dockyards and the abatement from the contract price chargeable to Navy Votes; for example, assuming the contract price of a ship (without extras)

NAVY APPROPRIATION ACCOUNT.

Vote 8–III.—Waiving of a Claim against Contractors, &c.—*continued.*

Mr. *Arthur O'Connor*—continued.

extras) to be 500,000*l.*, certain work has been done in a Dockyard at a cost of 1,000*l.*, for which the contractor agrees to pay a sum of 800*l*; total payment to the contractor, 499,200*l.*" Then there is a note: "The full sum of 500,000*l.* would be chargeable to the fund, and the difference between the 1,000*l.* and the 800*l.* (200*l.*) to Navy Votes." It seems to me, under those circumstances, you will have from the fund the whole of the 500,000*l.*, and further money from the Navy Votes, which would involve an excess?—The provision in the special fund would have been 500,000*l.*, but the operation of completing the ship in the Dockyard has occasioned an excess of 200*l.* over the 500,000*l.*, which it is thought should be charged to Navy Votes, leaving the sum of 500,000*l.* chargeable to the special fund.

2311. Therefore, you have an expenditure which, if charged against the fund, would involve an excess?—Not an excess on the special fund. Of the 1,000*l.*, 800*l.* would be charged to the special fund, making the aggregate of 500,000*l.*, and 200*l.* would fall upon the Navy Votes.

2312. That is what I say; you have got the whole of the contract price charged against the fund, and you have 200*l.* against the Navy Votes?—That would be met out of the Navy Votes; not out of the fund.

2313. Such a system of accounting might conceal or might be calculated to conceal the fact that an excess has been incurred?—The circumstances are exceptional, and only occur in connection with the ships completing at the Dockyards, which have been built under the Naval Defence Act. Such a point in the accounting will not occur again. It has been arranged that these circumstances are reported to the Treasury, so that there will be no concealment of the amounts.

NAVY APPROPRIATION ACCOUNT.

ADVANCES TO CONTRACTORS ON GUNS, OUTSIDE THE TERMS OF CONTRACT.

Chairman.

2314. (To Sir *Gerald FitzGerald.*) It appears from paragraph 20 of the Comptroller and Auditor General's Report that, with reference to the provision for the recovery of interest from contractors, the Admiralty contended that the advances were not "exceptional;" and the Comptroller and Auditor General goes on to say he has requested information as to whether the concurrence of the Treasury in the foregoing of interest has been obtained, and also as to the particulars of the cases in which the new form of contract has been entered into; but he had, when he reported, received no reply; has a reply been sent since?—Yes; we have communicated with the Treasury, and we have received a letter from that Department, dated the 1st of May, which is printed in the Appendix, Paper No. 4. It says, "The Board of Admiralty explain that the advances in question were made as the work progressed, in accordance with the ordinary terms of the forms of contract, for guns in use prior to the recent introduction of the system of paying definite instalments for portions of completed work, and were reckoned upon by the contractors in making their tenders. It would, therefore, be unfair to charge interest for them;" and the Treasury add, "My Lords think the explanation sufficient to warrant the Public Accounts Committee in allowing the advances without charge of interest."

2315. (To Sir *C. L. Ryan.*) I believe you have had time now to consider this point?—I have.

2216. Are you satisfied?—Yes; I concur in the Treasury's view.

2317. You think the paragraph may pass?—I think so.

[Mr. *Gordon Miller* withdrew.

IMPERIAL DEFENCE ACT, 1888 (NAVAL SECTION). AUSTRALASIAN AGREEMENT.

ACCOUNT, 1892-93.

On Postponed Paragraph 5.

DIFFERENCE OF OPINION AS TO PROPER METHOD OF ADJUSTING EXCESS EXPENDITURE.

Chairman.

2318. (To Sir *Gerald FitzGerald.*) In the last sub-section of paragraph 5, reference is made to a certain view of the Admiralty in regard to the adjustment of Excess Expenditure, in which the Comptroller and Auditor General is unable to concur, for the reasons given in his letter to the Admiralty, a copy of which has been transmitted

Chairman—continued.

to the Treasury; can you state what the view of the Admiralty now is?—When the question was before the Committee on a previous occasion, we had already written to the Comptroller and Auditor General, but he had not had time to consider the letter explaining why it was that the withdrawal of ammunition was decided

23 *May* 1894.] Sir C. L. Ryan, K.C.B., Mr. Ryder, C.B., and Sir G. FitzGerald, K.C.M.G. [*Continued.*

Imperial Defence Act, 1888.
Difference of Opinion as to Excess Expenditure —*continued.*

Chairman—continued.

decided upon and concurred in by the Treasury. That letter, I think, explains to the Comptroller and Auditor General what we have done in the matter.

2319. Was this letter addressed to the Treasury?—No; it was addressed to the Comptroller and Auditor General on the 1st of May last.

2320. (To Sir *C. L. Ryan.*) Have you considered that reply?—I have, and I have thought it desirable to put what I have to say upon the point in the shape of a Memorandum which, with the permission of the Committee, I will read. Since the meeting of the Public Accounts Committee on the 2nd instant I have had before me the further Admiralty explanations, set out in the letter of the 1st May last, with regard to the proposed method of adjustment of the extra-statutory expenditure recorded in the Imperial Defence Account, 1892–93 (Naval Section), as well as the Treasury concurrence in the adoption of that method, signified to the Admiralty on the same date. In the first place I would remark upon the technical point raised, viz., that the proposed withdrawal of stores would place the "Mildura" upon a similar footing as regards 4·7 ammunition to her sister reserve ship, the "Wallaroo." Without desiring to labour this point unduly, I may mention that similar treatment would only in part be accorded to the "Mildura" by the withdrawal in question. To place the two vessels in an altogether similar position, withdrawals from the "Mildura" should be effected, *primâ facie*, to a value not of 4,000*l.* but of 12,000*l.* (approximately), inasmuch as the present expenditure upon armament stores for those two vessels stands at 24,067*l.* and 12,338*l.* respectively, while the armament is the same. Such withdrawals would bring about a saving of some 8,000*l.* upon the full grant of 850,000*l.*, and the adoption of this course would seem to follow naturally, if the Admiralty now desire to establish uniformity in respect of armament stores in the case of the sister ships in reserve. This change, however, I cannot but think is the result of an afterthought, and I am unable to agree that the further explanations furnished should alter my opinion as to the seeming irregularity of an *ex post facto* curtailment of a supply of stores in order to meet a financial exigency. It will, however, rest with the Public Accounts Committee to decide whether, upon a full consideration of the circumstances, it is necessary that Parliament should be asked to grant a further sum to cover the excess expenditure over the statutory limit of 850,000*l.*, or whether the proposed method of adjusting the Account may be concurred in conditionally, as relating to a moribund transaction.

2321. (To Mr. *Ryder.*) Are you able to state what the view of the Treasury would be upon this point?—The view of the Treasury has been stated in a letter which, I think, has been printed and communicated to the Committee.

Imperial Defence Act, 1888.
Difference of Opinion as to Excess Expenditure —*continued.*

Chairman—continued.

2322. You agree with the Admiralty?—The Treasury has formally approved of the course taken by the Admiralty. The Treasury held it was in accordance with the decision arrived at by the late Government that no excess should be incurred upon the statutory fund of 850,000*l.* It was an oversight, no doubt, upon the part of the Admiralty to put stores on board the "Mildura" which the fund could not afford to supply. That error having been committed it could be remedied in two different ways: Parliament might be asked to increase the fund; or the stores might be withdrawn and used for ordinary naval services, and charged to Navy Vote 9. The second alternative was the one adopted, and was the one that accorded with the decision given by the Treasury some few years ago; that no increase should be made to the statutory fund of 850,000*l.* No doubt objection may be brought against this method of adjustment, but it is made publicly; there is no attempt at concealment. What is done and the reasons for it are patent to everybody.

2323. Would you regard it as an exceptional measure, or as one that may be ordinarily adopted?—It was exceptional, certainly, because it is an exceptional thing to build ships out of a special fund. That in itself is exceptional. If you adopt that course it is very probable that you will have to make resort to exceptional expedients in order to keep within the fund.

2324. You think this is one of the difficulties incidental to the establishment of a special fund for shipbuilding?—Exactly.

Mr. *Arthur O'Connor.*

2325. But the fact was, was it not, that the total, in spite of the resolution of the Government, was exceeded?—It was exceeded, if you determine to earmark these stores to the "Mildura." If the Committee should say, "We will not allow this diversion of stores to other purposes; but, having once by an oversight put the stores on board the "Mildura," the Admiralty shall not be allowed to take the stores away and give them to other ships;" if, I say, the Committee arrive at that decision, no doubt it would be necessary to go to Parliament and ask for a covering Vote for the excess.

2326. But on the 31st March, when the financial year was at an end, certain things had been done which involved an excess over the amount appropriated?—Yes.

2327. There the facts were, and they had to be properly and officially recorded in the Accounts, and the position must be taken as stereotyped on the 31st March?—It is stereotyed in the Account; there is the Account showing the excess.

2328. Then the excess exists?—The excess exists, and the simple question is how to adjust the excess.

2329. One simple way of adjusting it is to get

IMPERIAL DEFENCE ACT, 1888.

Difference of Opinion as to Excess Expenditure —*continued.*

Mr. *Arthur O'Connor*—continued.

the consent of Parliament to a further issue?—To a Vote.

Sir *John Hibbert.*

2330. This being a statutory fund, would it not be necessary also to have an Act of Parliament to provide the additional amount?—Perhaps the more regular way of doing it would be to have an amending Act for adding to this fund and borrowing the additional money; but I do not think that would be absolutely necessary. I think it would be possible in Committee of Supply to take a Vote for supplementing this fund.

Mr. *Arthur O'Connor.*

2331. Could you not get the consent of Parliament by the Appropriation Act or some other Act?—Yes.

2332. That is the ordinary constitutional course, is it not?—That is the ordinary constitutional course where a Vote has been exceeded.

2333. The other plan of *ex post facto* alterations and reductions of expenditure would surely open the door to many possible abuses, would it not?—I think not, if everything is done publicly.

2334. It is public in this instance because the Comptroller and Auditor General has found it out; but if he had not found it out, how would it have become public; I presume the Treasury and the Admiralty would not have volunteered the information to the outside world?—If the Account had been falsified, no doubt the Comptroller and Auditor General might not have found it out.

2335. But supposing that this particular way of dealing with what appears to be an excess had escaped the scrutiny of the Comptroller and Auditor General, Parliament would never have been made aware of it, would it?—The Account shows as plainly as possible that an excess has been incurred; there has been no attempt to conceal it.

2336. I suppose it was impossible to conceal it?—I hope that it was impossible; but I do not know. But at any rate it is shown; there is no attempt to conceal it.

2337. But, by recognising the excess, and dealing with it in the form of a further Vote by Parliament, all the necessities of the case are met without establishing any bad precedent; whereas if you are, by certain proceedings after the period of your Account, to affect that which relates to the period of the Account itself, surely, whatever you may call it, it amounts to something very like falsifying the Account, whether the Treasury sanction it or not?—I think there could be no falsification if the adjustment is recorded with the consent of the Committee in the manner adopted by the Admiralty.

IMPERIAL DEFENCE ACT, 1888.

Difference of Opinion as to Excess Expenditure —*continued.*

Mr. *Arthur O'Connor*—continued.

2338. Does the Treasury see any particular objection to ask for a special Vote?—It was debated at great length under the late Government, I think in the year 1890–91, as to whether any increase should be allowed to this fund, and the Treasury in the most formal manner decided that no increase should be made, and that come what might the Admiralty must make the best of that fund, and spend it as far as it would go; and they were specially asked to diminish the outfit of ammunition and warlike stores to such a degree as might enable them to keep within the fund. The Admiralty loyally tried to carry out that arrangement, but they apparently put on board rather more stores than they could pay for. Those stores have now been removed, and are at the disposal of other vessels.

2339. In spite of the resolution of the Government in 1890 or 1891, or whenever it was, an excess has been incurred; why not say so; why not let the House know what the facts are?—This is told most clearly to the House on the face of the Account.

2340. That being so, why not take the usual step of asking for a further Vote?—The money is not wanted for the "Mildura." The Admiralty, exercising the powers that they have as administrators of the Navy, have determined that the "Mildura" shall not have these stores; they have been taken away from the "Mildura" and are placed at the disposal of other vessels.

2341. That only illustrates the inconvenience of having these special funds for services for which there are annual Votes, because you are able practically to exceed your Estimate, or exceed the provision in the fund, and draw upon the annual Vote without making any show of excess?—It was in accordance with the intention of Parliament that the maintenance of the "Mildura" should be provided for in the annual Vote.

2342. Was there not a provision for armament in the Vote under the Act?—Yes; the vessel was to be equipped, but there was no definition of equipment, and the Treasury held, therefore, that it was open to the Admiralty to accommodate the equipment to the fund at their disposal.

2343. "Equipment" being an elastic term, you put under it just as much as suited your special Vote and supplement that by something drawn from the annual Vote?—Yes.

Sir *John Hibbert.*

2344. If this had not been a statutory fund I presume you would have taken the other alternative mode of obtaining the money; that is to say, you would have asked for a Supplementary Vote, or something of that kind?—Probably; there would have been no occasion then for this manipulation.

[The Witnesses withdrew.

APPENDIX.

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APPENDIX, No. 1.

PAPER handed in by the *Chairman*, with reference to Questions 469—549, 30 May 1894.

ARMY APPROPRIATION ACCOUNT, 1892-93.

ORDNANCE STORE BUILDINGS, WEEDON—PROVISION OF ARM RACKS.

Dear Sir Richard, House of Commons, 28 May 1894.

I HAVE duly received the Committee Clerk's letter, calling my attention to certain evidence given before the Public Accounts Committee respecting the Report of the Comptroller and Auditor General on the provision of arm racks at Weedon in 1892-93.

I regret very much that it is not in my power to supplement the evidence already given to the Committee, for although I remember that some arm racks were provided in consequence of the largely increased store of rifles, the attendant circumstances and the Treasury letter have passed out of my recollection.

This is due to the fact that I must have seen the paper, more than two years ago, among some 30 or 40 other questions daily arising in the routine of the War Office, and that at the time I was working under great pressure, owing to all the Secretary of State's Parliamentary business having devolved upon me during Mr. Stanhope's absence abroad from ill health.

Obviously, the stipulation of the Treasury that mention should be made of this necessary service on taking the Vote in Parliament should have been observed, and I regret that the question was overlooked, owing probably to the hurried manner in which the Votes were taken before the Dissolution of Parliament in 1892.

If the Committee still desire it, I will of course come before them, but probably the public notice taken of the principle, the amount at issue being small, will secure the Treasury against a similar lapse in future.

I am, &c.
(signed) *St. John Brodrick.*

Sir Richard Temple, Bart., M.P.,
Chairman of Committee of Public Accounts.

APPENDIX, No. 2.

PAPER handed in Mr. *W. Anderson*, M.I.C.E., 23 May 1894.

FURTHER Reply as to increased COST of SHELLS. *See* Q. 2255 *et seq.*

"THE steel was made in the Laboratory. The 'higher price' in the answer to the former query was not an actual figure but a factory estimate. The records do not show precisely the reason of the rise in cost; but an increase in the rate of indirect expenditure, a larger number of shells thrown out in the course of manufacture, and a considerable expenditure on experimental work, were apparently the main factors."

APPENDIX, No. 3.

PAPERS handed in by Sir *Gerald FitzGerald*, K.C.M.G., 2 May 1894.

CORRESPONDENCE relative to the IMPERIAL DEFENCE ACCOUNT (NAVAL SECTION), 1892-93.

(No. 1 E. 461—1327.)

Sir, Admiralty, S.W., 30 April 1894.

I AM commanded by my Lords Commissioners of the Admiralty to forward, for the information and concurrence of the Lords Commissioners of Her Majesty's Treasury, the accompanying draft of a letter[c] which my Lords propose to send to the Comptroller and Auditor General in reply to that officer's communication, dated 10th February last, printed on page 7 of the Imperial Defence Account (Naval Section) for 1892–93.

In view of the meeting of the Public Accounts Committee on Wednesday next, my Lords would be glad of an answer to this letter to-day, in order that the reply to the Comptroller and Auditor General may be despatched to-morrow.

I am, &c.

The Secretary to the Treasury. (signed) *Evan MacGregor.*

(7028—94.)

Sir, Treasury Chambers, 1 May 1894.

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 30th ultimo (No. 1 E. 461—1327) and its enclosure, respecting the method of rectifying the excess of 3,977*l.* 13*s.* 6*d.* shown on the Account of the Naval Section of the Imperial Defence Act, 1888, for 1892–93.

The Board of Admiralty propose to convert this excess into a small surplus by withdrawing the equipment of 4·7 ammunition from Her Majesty's Ship "Mildura," one of the three vessels of the additional Australasian Squadron which are to be kept in reserve under the terms of the statutory agreement with the Australasian Colonies.

This withdrawal will place the "Mildura" on the same footing as the two other reserve vessels, in point of equipment of ammunition.

The ammunition withdrawn will, as my Lords understand, be placed in store, for service of the whole squadron on the Australian Station indiscriminately, and will not raise the local reserve of ammunition above requirements, but will so far diminish the necessity for sending out similar ammunition for general service.

My Lords are not informed whether the ammunition was placed on board the "Mildura," because she was being temporarily used for active Imperial service before being placed in reserve, or through some misapprehension.

But whatever may have been the reason, my Lords think the cost of this ammunition, when placed in store, will be properly charged to Navy, Vote 9, instead of to the Imperial Defence Loan.

The course taken accords with the directions given by the Treasury in 1890 and 1891, and my Lords approve of it.

I am, &c.

The Secretary to the Admiralty. (signed) *Francis Mowatt.*

(No. 1 E. 461—1349.)

Sir, Admiralty, S.W., 1 May 1894.

IN reply to your letter of the 10th February last, No. 182, on the subject of the method proposed to be adopted in order to bring the total expenditure under the Imperial Defence Act within the statutory limit, I am commanded by my Lords Commissioners of the Admiralty to state that directions have been issued for the withdrawal of the 4·7 ammunition from Her Majesty's Ship "Mildura," and the return of the same into store at Sydney Ordnance Depôt.

As you are aware, the Treasury agreed to a reduced armament equipment being allotted to the three vessels which under the terms of the Australasian Agreement, were to be kept in reserve. The "Mildura" is one of the three "reserve" vessels, her present position as tender to the Australian Flagship being for Imperial purposes only. The withdrawal of ammunition now decided upon has been concurred in by the Treasury, and I am to observe that although as remarked in your letter, the course taken involves an *ex post facto* reduction of the "Mildura's" equipment, yet the effect thereof is merely to accord to this vessel similar treatment to that received by the two other "reserve" vessels, neither of which had a corresponding allotment of the ammunition now directed to be withdrawn.

A copy of Treasury letter of this date on the subject is enclosed.

I am, &c.

The Comptroller and Auditor General, Somerset House, W.C. (signed) *Evan MacGregor.*

CORRESPONDENCE relative to Paragraph 17 of the COMPTROLLER AND AUDITOR GENERAL'S REPORT on the NAVY APPROPRIATION ACCOUNT for 1892–93.

WAIVING of a CLAIM against Contractors in respect of unfinished Work on Her Majesty's Ship "Blenheim."

(No. 1459.)

Sir, Exchequer and Audit Department, 22 December 1893.

I AM directed by the Comptroller and Auditor General to state, for the information of the Lords Commissioners of the Admiralty, that in the test examination of the Dockyard Expense Accounts for the year 1892–93, at Chatham, attention has been drawn to certain deductions from a claim upon a firm of contractors in respect of certain items of work that were carried out at their expense in the Dockyard.

It

[c] Draft of letter to Comptroller and Auditor General of this date.

It would appear that on the delivery of Her Majesty's ship "Blenheim," at the yard referred to, a value of 2,937*l.* was assigned to items of unfinished work for which the contractors were considered to be responsible.

This amount was subsequently reduced to 1,740*l.* 19*s.* 6*d.*, and it has now been further (and apparently finally) reduced by a sum of 417*l.* 3*s.* 8*d.*

The last reduction of 417*l.* 3*s.* 8*d.* represents the cost of two items :—

	£.	*s.*	*d.*
Item 3.—Making gratings in funnel casings	83	17	1
Item 5.—Completing fittings to 6-in. and 9·2-in. guns	333	6	7

which, according to the specifications, appear to be properly chargeable against the contractors.

I am therefore to inquire whether the abandonment of claim in respect of these items, and the consequent charge to Navy Votes, has been referred to the Lords Commissione s of Her Majesty's Treasury.

I have, &c.
(signed) *F. Phillips.*

The Secretary to the Admiralty.

(C. A. 1388—93.—S. 7146—93.)

Admiralty, 3 March 1894.

Sir,

1. With reference to the enclosed copy of a letter received from the Comptroller and Auditor General, dated 22nd December 1893, I am commanded by my Lords Commissioners of the Admiralty to acquaint you, for the information of the Lords Commissioners of Her Majesty's Treasury, that it has been found necessary, in order to expedite the delivery of ships building by contract and for other important reasons, to carry out certain portions of the work of completion, provided for in the contracts, in Her Majesty's Dockyards. These items include the fitting of torpedo tubes and net defence, and other work.

2. Some difficulty has been experienced in arriving at equitable adjustments of account with the contractors, for the following reasons : firstly, the price of the transferred work is merged in the general contract price, and therefore cannot be identified ; secondly, the work carried out in the Dockyards has differed in some respects from that provided for in the specifications ; and thirdly, the contractors have objected to pay more than they state they could have done the work for in their own yards, in strict conformity with the specifications, with the staff, plant, and machinery, used for the general construction of the ships.

3. For these reasons it has not been possible to debit the contractors with the full cost of the work executed in the Dockyards, as recorded in the Expense Accounts, but terms of adjustment have been agreed upon, after due consideration of all the circumstances of each case.

4. Each item has formed the subject of special negotiations between the technical officers of the Admiralty and the contractors, and the terms agreed upon are considered fair and reasonable. They are also favourable to the Admiralty, in comparison with the offers of settlement made by the contractors themselves.

5. With regard to the incidence of charge in the case of ships building by contract under the Naval Defence Act, it is considered that the special fund should bear the cost of the work to the extent of the abatements made from the contract prices, which will practically represent the amount originally provided in the special fund for the purpose. This will leave the difference between the actual cost of the work done at the Dockyards, and the abatement from the contract price, chargeable to Navy Votes, for example :—

	£.
Assuming that the contract price of a ship (without extras) to be	500,000
Certain work has been done in a Dockyard at a cost of 1,000*l.*, for which the contractor agrees to pay a sum of	800
Total payment to the contractor	£. 499,200

The full sum of 500,000*l.* would be chargeable to the fund, and the difference between the 1,000*l.* and the 800*l.* (200*l.*) to Navy Votes, *i.e.*, as part of the cost of completing in a Dockyard, under the Dockyard Section of the Naval Defence Act.

6. I am to transmit a statement showing the financial effect of the abatement from the final claim in the case of the "Blenheim" (ship of the Old Programme), to which the Comptroller and Auditor General has made reference, and in course of time my Lords will forward a statement showing the financial effect of the several adjustments, some of which are at present incomplete.

I am, &c.
(signed) *Evan MacGregor.*

The Secretary to the Treasury.

[Enclosure.]

Her Majesty's Ship "Blenheim."

	£.	*s.*	*d.*	£.	*s.*	*d*
Cost of work originally reported by the Yard on survey of the ship as chargeable to contractors, including approximate percentage charges				° 2,467	4	11
Abate,—						
Cost of further work carried out in the Dockyard on certain fittings of the ship, which had been accepted as complying with the specification	154	17	3			
Work considered to be modifications or additions for which the contractors could not be held liable	378	17	7			
General Manufacturing Shop expenditure charges entered in claims in error, which are covered by the percentage additions	19	6	1			
Percentage charges on the above (approximate)	130	3	8			
Further abatement of cost of work which, after conference with the contractors, it was decided should not be claimed, on the understanding that the Admiralty and the contractors accepted the compromise as a full and final settlement	417	3	8			
(*Vide* paragraph 4 of Comptroller and Auditor General's letter.)				1,100	8	3
			£.	1,366	16	8

Note.—The contract price of the hull of the ship was 229,628*l.*

° Actual cost ; the estimated cost (2,937*l.*) is quoted in the Comptroller and Auditor General's letter.

(3641—94.)

Sir, Treasury Chambers, 27 March 1894.

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 3rd instant (C. A. 1377, 1893 ; S. 7146, 1893), respecting the cost of certain work or parts of work done in Her Majesty's Dockyards instead of by contractors, on some of the contract ships built under the Naval Defence Act, 1889, which is being charged to Navy Votes instead of to the Consolidated Fund ; and I am directed to state that before my Lords arrive at a decision as to the propriety of the course taken by the Lords Commissioners of the Admiralty in this matter, they request to be informed in the case of each of the ships concerned—

(*a*) Of the particular reasons for taking over contract work and doing it in the Dockyards :

(*b*) Of the specific amounts of expenditure incurred in carrying out the contractor's work as distinguished from the cost of further work, and of modifications, &c., not covered by the contract.

I am, &c.

The Secretary to the Admiralty. (signed) *R. E. Welby.*

(C. A 411-94.)

Sir, 1 May 1894.

I AM commanded by My Lords Commissioners of the Admiralty to acknowledge the receipt of your letter of the 27th March 1894, No. 3641-94, relative to the adjustment of accounts between the Admiralty and contractors in the case of certain ships built under the Naval Defence Act, 1889, and, in reply, to state as follows :—

(*a*) "The particular reasons for taking over contract work and doing it in the Dockyards."

My Lords hope that the general explanation given in their former letter, to the effect that it was necessary to expedite the completion of the ships and for other important reasons, to carry out certain portions of the work of completion in Her Majesty's Dockyards, may be accepted as a sufficient reason for the course which it was considered advisable, as a matter of policy, to adopt.

It is by no means unusual for work to be done in the Dockyards on behalf of contractors for hulls and machinery of ships (on repayment of the cost). The only difficulty in the cases under review springs from the fact that the ships were directed to be delivered, for the advantage of the Service, so that the work of completion might be carried on with all despatch at the Dockyards. The question consequently arose to what extent the contractors could be called upon to defray the cost of work included in the contract specifications, as compared with the estimated cost which would have been incurred by them had the work been done at their own yards, with their own plant, and by their own staff, and concurrently with other work in the vicinity of the fittings.

In regard to the cost of the "Blenheim," which has been alluded to in the report of the Comptroller and Auditor General upon the Navy Appropriation Account, 1892-93, I am to forward copies of the representations made by the contractors, with reference to the funnel gratings and gun fittings, after the representative, in company with the officers of Chatham Dockyard, had gone over the details of the various items proposed to be charged to the contractors. My Lords claimed the cost of these works from the contractors ; but in view of the representations made by them that they are not included in the specification, and that they are special fittings not foreseen when the specification was prepared, they came to the conclusion that it was unadvisable to press the claim. They are of opinion that this conclusion dealt fairly and equitably with the matter.

In regard to (*b*), "The specific amounts of expenditure incurred in carrying out the contractors' work as distinguished from the cost of further work and of modifications, &c., not covered by the contract."

The principal items undertaken upon the Naval Defence Act ships at the Dockyards consisted of the fitting of the torpedo tubes and of the Torpedo Net Defence. In each case the fitments carried out at the Dockyards have differed from those originally contemplated when the specifications were drawn up. Consequently, the estimated cost merged in the contract prices of the ships, even if it could have been ascertained, could not be compared with the cost of the Dockyard work. But, as a matter of fact, no means exist of separating these items from the total contract prices of the ships.

Similarly, the lines of the specifications have not been followed in carrying out the other less important work, not completed by contractors, at the Dockyards.

Under these circumstances, and in view of the clause in the specification, that "if any doubt arise respecting the meaning of any part of the specification or the drawings, or any appeal be made respecting matters of any kind relating to the carrying out of this contract, about which there may be any dispute or difference of opinion between their Lordships' officers and the contractors, the Controller of the Navy is to decide, and his decision is to be final." My Lords adopted the course indicated in paragraphs 3 and 4 of my letter of the 3rd March 1894.

My Lords desire me to add that, although the fullest information possible may be given in specifications and drawings for a ship, there must ultimately be room for some differences of opinion between the contractors and the owners of a ship, especially a ship of war, respecting minor items of work. Moreover, in the work of completing ships of this size and description, modifications and improvements, in detail, must necessarily be introduced. In practice it is also sometimes more satisfactory, upon economical grounds alone, to suspend the completion of certain fittings (although specifically provided for in the contract) which may have to be modified, owing to unforeseen circumstances, rather than to require the contractors to complete fittings which the Dockyards must subsequently remove and replace. Such matters must always be subject to adjustment when the contractors' claims are dealt with.

Under all the circumstances, my Lords are well satisfied that the best terms have been made with the contractors, and they trust that the Lords Commissioners of Her Majesty's Treasury will, in view of this further explanation, concur in the procedure indicated in my letter of 3rd March 1894.

I am, &c.

The Secretary to Her Majesty's Treasury. (signed) *Evan MacGregor.*

[Enclosure.]

Her Majesty's Ship "BLENHEIM."

	£.	*s.*	*d.*
Fitting gratings, &c., inside funnel casing	83	17	1

This again is a fitting, introduced latterly at Chatham Dockyard, for the facility of painting and getting about the funnel casing. We have never been called upon to fit it before, and we fail to find anything in the specification that would lead us to infer that they were to be fitted at that level, as it is not a ladder-way where the gratings are fitted.

	£.	*s.*	*d.*
Completing fittings, &c., to 6-inch, B.L. guns on upper deck	52	10	–
Completing fittings to 6-inch, B.L. guns in casemates	208	17	8
Completing fittings to 9·2-inch guns on upper deck	71	18	11

The

The principal items in the above three charges consist of the index racers, securing chains, and gun stops, all of which, we strongly maintain, we should not be charged with, as there is no indication whatever given in the specification with regard to them, and we have never before been called upon to supply or fit any of them. The Dockyards have always supplied and fitted them themselves without charge, and this being so, we were fully justified, when contracting for this ship, to take it for granted that the work which had been considered Dockyard work before would still be so.

(7113—94.)

Sir, Treasury Chambers, 2 May 1894.

THE Lords Commissioners of Her Majesty's Treasury have had before them your letter of the 1st instant, C. A. 411—94, respecting certain contract ships under the Naval Defence Act, 1889, and the Old Programme ship "Blenheim," which were removed to Her Majesty's dockyard for completion, before the contractors had quite finished their part of the work upon them.

The Board of Admiralty do not favour my Lords with the particular reasons, in the case of each ship, for taking over contract work and doing it in the dockyards. Nor do they seem able to distinguish between the actual cost of doing the contractors' work, and other expenditure.

Under these circumstances my Lords must confine themselves to a general expression of principle, applicable to all the New Programme ships in question, and will then deal with the particular case of the "Blenheim."

Assuming that for public reasons other than "financing" a ship has been taken out of the hands of a contractor, before he has finished his work upon her, but without any default on his part, my Lords agree that the abatement from the full contract price to be paid to him, should be confined to what it would have cost him to finish his work. Having determined what this abatement ought to be, its amount should be taken in relief of the charge made for completing the ship against the dockyard shipbuilding fund. Under this arrangement the contract ship fund will bear the charge of the full contract price, although part of it will not have been paid to the contractor; and the dockyard shipbuilding fund will bear all the remaining cost of completing the ship for sea.

Turning to the case of the "Blenheim," my Lords observe that the full contract price was 229,628*l*., and that the contractors consent to an abatement of 1,366*l*. 16*s*. 8*d*. therefrom, in respect of the cost of work properly falling to be done by them, but of which they were relieved by the premature removal of the ship to the dockyard. Only an expert can say whether this abatement is fair. The actual expenditure in the dockyard, which the Admiralty at first thought to be chargeable to the contractors was 2,467*l*. 4*s*. 11*d*., but the difference, viz., 1,100*l*. 8*s*. 3*d*., between that sum and the agreed abatement is described as representing either fresh work, or modifications of fittings, or extra cost for which the contractors could not fairly be made responsible. In particular the gratings and gun fittings referred to by the Comptroller and Auditor General in paragraph 17 of his Report on the Navy Appropriation Account for 1892–93, appear from your letter not to have been mentioned in the specifications, nor included in the contractors' tender.

My Lords can only say that, assuming the correctness of the representations made to them, the arrangement made with the contractors in the case of the "Blenheim" seems to be justifiable; and they authorise the withdrawal of the excess charge of 1,100*l*. 8*s*. 3*d*. accordingly.

I am, &c.

The Secretary to the Admiralty. (signed) *G. L. Ryder.*

CORRESPONDENCE relative to Paragraph 20 of the COMPTROLLER AND AUDITOR GENERAL'S REPORT on the NAVY APPROPRIATION ACCOUNT for 1892-93.

ADVANCES to Contractors on Guns outside the Terms of Contract.

(No. 5, I. C.—1332.)

Sir, Admiralty, 30 April 1894.

IN pursuance of a request made by the Public Accounts Committee at their meeting on the 25th instant, I am commanded by my Lords Commissioners of the Admiralty to request that you will lay before the Lords Commissioners of Her Majesty's Treasury, the accompanying Memorandum explanatory of the position taken up by this Department relative to the question referred to in the 20th paragraph of the Report of the Comptroller and Auditor General upon the Navy Appropriation Account for the year 1892–93.

I am, &c.

The Secretary to the Treasury. (signed) *Evan MacGregor.*

[Enclosure 1.]

MEMORANDUM by the ACCOUNTANT GENERAL of the NAVY on Paragraph 20 of the COMPTROLLER AND AUDITOR GENERAL'S REPORT.

ADVANCES to Contractors on Guns outside the Terms of Contract.

UPON the transfer of the Naval Armaments Vote from Army to Navy Estimates, the War Office referred to the Admiralty a copy of the form of tender (or contract) used in obtaining "general stores for the Army," with the inquiry whether any alteration to the payment clause was necessary to bring it into conformity with Admiralty practice.

With the view of meeting cases, such as had occasionally arisen, of payment of *exceptional* advances outside the ordinary terms of contract, and of, to some extent, regularising those payments, an addition was made to the clause in question empowering the Admiralty to grant such advances *subject to a charge for interest.*

Attached is a copy of the form as thus amended.

It was assumed that this form *would not be used for orders for heavy guns*, respecting which it had been, and would be, the practice to make payments on account in the shape of advances or instalments, as the work progressed, not of course chargeable with interest, or that, if so used, the "terms of ordinary payment" would be specially inserted on the "Schedule" of the form, and a corresponding alteration made in the printed portion; and the letter returning the form to the War Office conveyed an intimation to this effect, it being particularly explained that the addition to the form applied to "advances *other* than those given under the ordinary terms of the contract."

As it appeared that this "general" form *had* been used for gun contracts, the question was raised towards the end of the year 1889, almost simultaneously by the Admiralty and the Comptroller and Auditor General, whether it was not desirable to introduce a form specially applicable to naval guns, and steps were taken to draw up such a

form. While these were in progress the further question, relative to the substitution, in regard to guns, &c., of the system of payment by instalments for defined portions of completed work for that of "advances as the work progressed" came under the consideration of the Public Accounts Committee, and, consequent thereon, a special form of contract for guns was at length devised, which included a stipulation for payment by instalments of specific amount.

When asked to tender upon this special form for the supply of the 43 guns referred to in the 20th paragraph of the Report of the Comptroller and Auditor General on the Navy Appropriation Account for 1892-93, the contractors raised objection to certain conditions of contract contained in the form, and as time did not admit of delay in placing the orders, the old general form of tender was agreed to be again used.

In deciding to revert temporarily to the old form, the Admiralty had in view the continuation of the mode of payment, as representing the ordinary terms of contract, by "advances as the work progressed," such advances, in the circumstances, *not to be charged with interest*, being practically in the nature of "instalments."

But it appears that neither in the case of the particular guns in question, nor in respect of previous orders for which use was made of the "general" form as amended by the Admiralty in 1888, were the printed conditions of payment modified to embrace the stipulation for payment by advances *without* interest charge. There is, however, no doubt that the contractors were fully aware of the Admiralty intention concerning the payment of such advances, that, in fact, having been the system followed by the War Office before the transfer of the Armament Vote, and conforming to Admiralty practice in regard to supplies of gun mountings, &c., before the extension thereto of the system of payment by definite instalments; and the contractors entered into their engagements in the spirit of the Admiralty intention.

The Admiralty accordingly does not admit that because of the omission to modify the contract form, the advances now in question must be considered as chargeable with interest, or to come under the clause permitting exceptional advances, for they certainly did not partake of that character, but were similar to all previous payments on account made on guns under construction.

In these circumstances, reference to the Treasury for concurrence in withholding a charge for interest on the advances has not been thought necessary.

(signed) *G. FitzGerald*,
Accountant General of the Navy.

30 April 1894.

[Enclosure 2.]

Note.—This form of Tender is to be delivered at the War Office, Pall Mall, London, S.W., by 12 o'CLOCK NOON on _____ addressed to the "*Director of Army Contracts*," and marked on the outside "*Tender for* _____."

(Any omission in this respect may lead to the offer not being duly considered.)

STORES AND MATERIALS (NAVAL).

To Her Majesty's Principal Secretary of State for the War Department.

Sir,

(I or we) (hereinafter styled "the Contractor"), do hereby engage to provide and deliver the several articles enumerated in the Schedule hereunto annexed, to which (I or we) have affixed prices (or such portion thereof as you may determine), at the price or prices therein stated, and upon the Conditions herein set forth.

Dated this _____ day of _____ 189 .

Witness _____ Signature of Contractor _____

Address _____ _____

Note.—Any modification of the Schedule considered expedient should form the subject of a separate letter to accompany the Tender.

The prices should be stated at "*per cwt.*," "*lb.*," "*doz.*," "*each*," &c., as specified. Fractions of a penny should be expressed in decimals only.

CONDITIONS OF CONTRACT.

Description and Delivery of the Stores.

1. The articles required shall be of the qualities and sorts described, and equal in all respects to the standard patterns, specifications, or drawings; and shall be delivered by the contractor, at his own expense, at the time or times specified in the schedule, into the charge of the officer at the station named, accompanied by an invoice* in duplicate.

Inspection.

2. The articles, previous to their being received into store, shall within 30 days from their delivery, unless otherwise stated in the specification or schedule, be examined; and if found inferior or defective in quality, or differing from the standard pattern, specification, or drawing, may be rejected, and the contractor shall replace the same at his own expense within reasonable time after he is required by notice so to do, without any allowance being made to him.

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* The necessary invoice and bill forms can be obtained on application to the receiving officer at the station at which the articles are to be delivered.

Inspection to be governed by Patterns, Specifications, and Drawings only.

3. The reception or rejection of articles shall be governed solely by the standard patterns, specifications, and drawings. (When practicable, samples will, on application, be lent to the contractor for his general guidance; the cost of carriage, both ways, must be borne by the contractor).

Certificate for Articles accepted.—Accounts to be rendered.

4. A certificate shall be prepared within 40 days after the delivery of the articles, for such quantities as may have been accepted, but if the deliveries be divided into periodical proportions, a certificate shall be prepared, as aforesaid, for each proportion. Upon notification from the receiving officer that a certificate has been prepared, the contractor shall forward to that officer his account[c] or bill, and marked on the cover "Contractor's Account."

Payment.

5. After the necessary examination in office of the account thus sent an order for the payment of the amount due will be forwarded to the contractors by the Accountant General of the Navy.

Payments on account, other than stipulated in Article 4, may be made at the discretion of the Admiralty on the certificate of the proper officers that work has been done or materials provided by the contractor sufficient in value to cover any proposed payment on account, on the following conditions:—

(*a*) Without prejudice to the stipulations of the contract in respect to quality, tests, &c., and replacement in the event of rejection.

(*b*) Interest to be charged on these exceptional advances at the bank rate at the date of advance, from the day of payment up to the date on which payment would become due in ordinary course under the contract after delivery of the goods at the station named, and examination by the officers.

Penalty.

6. Should the articles or any portion thereof not be supplied within the period or periods stipulated for the delivery, the contractor shall be liable to a fine of 2½ per cent. on the value of the articles deficient, and which fine may at any time be deducted from any sum or sums then due or which at any time thereafter may become due to him under this or any other contract, or may be demanded of him to be paid within 14 days to the Paymaster General, and in addition thereto, the Secretary of State for War shall be at liberty to purchase the supplies from other persons, and to charge the difference between the price paid for the same and the contract prices, to the contractor, and which difference shall be deducted and paid in like manner as the fines hereinbefore mentioned; and further, the Secretary of State for War shall be at liberty, if he think fit so to do, to terminate the contract at or after any one of the specified periods at which default shall have been made, either wholly or to the extent of such default.

Bankruptcy.

7. The Secretary of State for War may at any time terminate the contract, if the contractor shall be adjudged bankrupt, or if under the present or any future Bankruptcy Act any receiving order or orders for the administration of his estate shall be made against him, or if he shall enter into, make, or execute any deed of arrangement as defined by the Deeds of Arrangement Act, 1887, or other composition or arrangement with, or assignment for, the benefit of his creditors, or purport so to do; or if (in Scotland) he become insolvent or notour bankrupt, or application be made under any present or future Bankruptcy Act for sequestration of his estate, or application be made by him or any of his creditors for cessio bonorum against him, or a trust be granted by him for behoof of creditors.

Bribery.

8. Any bribe, commission, gift, loan or advantage, given, promised, or offered by, or on behalf of the contractor, or his partner, agent, or servant, in relation to the obtaining, or to the execution of this, or any other contract for Her Majesty's Service, or given, promised, or offered by, or on behalf of, the contractor, or his partner, agent, or servant, to any officer or person in the service or employ of the Crown, who shall be in any way connected with the execution of this contract, subjects the contractor to cancellation of this and all other contracts, and also to payment, as a debt due to the Crown of 10 per cent. on all sums which he has received, or would have become entitled to receive under this contract, and also to payment of any loss resulting from any such cancellation. Any question or dispute as to a breach of this article, or the sums to be paid, is to be settled by the Secretary of State for War, in such manner, on such evidence or information, as he thinks fit, and his decision is to be final.

Resolution of the House of Commons, dated 13th February 1891.

9. No portion of this contract shall be transferred without the written permission of the Director of Army Contracts. Sub-letting, other than that which may be customary in the trades concerned, is prohibited. The wages paid in the execution of this contract shall be those generally accepted as current in each trade for competent workmen in the district where the work is carried out.

Power to reject Tenders.

10. The Secretary of State for War shall have the power of rejecting any, or all, of the tenders, or of accepting such portion of any tender as he may think fit.

Members of the House of Commons.

11. No Member of the House of Commons shall be admitted to any part or share of this contract, or to any benefit to arise therefrom. (For exemptions, see Statute 22, Geo. III., cap. 45).

SCHEDULE.

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[c] The necessary invoice and bill forms can be obtained on application to the receiving officer at the station at which the articles are to be delivered

(7032—94.)

Sir, Treasury Chambers, 1 May 1894.

The Lords Commissioners of Her Majesty's Treasury have had before them your letter (No. 5—I. C., 1332) of the 30th ultimo, enclosing a Memorandum explanatory of certain advances (called attention to in paragraph 20 of the Comptroller and Auditor General's Report on the Navy Appropriation Account, 1892–93) to contractors for quick-firing guns, which advances were not provided for in the contract, nor charged interest for, although the contract stipulated that interest was to be charged on exceptional advances.

The Board of Admiralty explain that the advances in question were made as the work progressed in accordance with the ordinary terms of the forms of contract for guns in use prior to the recent introduction of the system of paying definite instalments for portions of completed work, and were reckoned upon by the contractors in making their tenders. It would therefore be unfair to charge interest for them.

In this particular case, a new form of contract for guns was objected to by the contractors, therefore an old form intended for Naval Stores and Materials (not guns) was employed, although it was in many respects inapplicable. By an oversight apparently on the part of the officer acting on behalf of the Navy, and by the neglect of the contractors themselves, the requisite alterations were not made in the old form, so as to accommodate it to the payment of advances for the guns, as work on them progressed.

The result was that payments to the contractors, though right in themselves, were inconsistent with the contract.

My Lords think the explanation sufficient to warrant the Public Accounts Committee in allowing the advances without charge of interest. But they hope that care will be taken to avoid such inconsistencies in future, and think that trouble might have been saved by an earlier reference to this Department.

I am, &c.

The Secretary to the Admiralty. (signed) *Frank Mowatt.*

APPENDIX, No. 4.

PAPER handed in by Mr. *H. F. R. Yorke*, 9 May 1894.

PAPER handed in by Mr. H. F. R. Yorke, Director of Victualling, as in effect embodying his views on the preparation of a "Statement" with reference to paragraph 9 of the Comptroller and Auditor General's Report on Navy Store Accounts, 1892–93.

Exchequer and Audit Department, 2 January 1894.

QUERY No. .—On the account of Navy Services in respect of Votes generally for the Year 1892–93.

Description of the Voucher.	Query or Observation.	No. of the Query.	Answer or Explanation of the Accounting Officer.
Appropriation Account, 1892–93.	With reference to the surpluses shown on the Appropriation Account under Sub-heads G. (Provisions, &c.) and L. (Light, &c.) of Vote 2, and to the explanations given that they arise in part on account of "Stores undelivered by contractors beyond anticipation," it is requested that a detailed list of the stores referred to under each sub-head may be forwarded, showing amounts, together with a reference to the Store Bill under which the various amounts were afterwards paid.	–	22 March 1894. No accounts have hitherto been kept for preparing such detailed statements as those asked for in Queries 22 and 23, and their preparation would entail a considerable amount of clerical labour, which could not be spared at the time when the limited staff of the Department was already heavily pressed with the preparation of the Estimates and the Manufacturing Return. The explanations given in the Appropriation Account are necessarily limited to general explanations, as it is the practice to give only the principal causes of discrepancy, and as the sources from which these statements would have to be derived are open to the inspection of the auditors, the fact that the causes assigned are operative, could be ascertained without detailed statements. (signed) *F. Michod*, for Director of Victualling. The Comptroller and Auditor General, Somerset House, W.C.

THIRD

REPORT

FROM THE

COMMITTEE

OF

PUBLIC ACCOUNTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

AND APPENDIX.

Ordered, by The House of Commons, *to be Printed,*
18 *July* 1894.

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BY EYRE AND SPOTTISWOODE,
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THIRD REPORT

THE COMMITTEE of PUBLIC ACCOUNTS have made further progress in the matters to them referred, and have agreed to the following THIRD REPORT:—

CIVIL SERVICE AND REVENUE DEPARTMENTS APPROPRIATION ACCOUNTS, 1892–93.

1. BEFORE entering upon the Classes and Votes, the Comptroller and Auditor General prefaces his observations in detail by a General Report, to which your Committee have paid due attention.

2. The several excesses summarised in his paragraph 1 have been dealt with by your Committee in their First Report.

3. The cases noted in his paragraph 4, regarding the continued employment of officers after their attaining the age of 70, in several departments of the Civil Service, will be noted by your Committee hereafter, when they touch on each of the several departments mentioned. The same remark applies to the application of the Order in Council to the legal departments and the consular service.

4. In his paragraph 5 the Comptroller and Auditor General adverts to the operation of Section 2 of the Public Accounts and Charges Act of 1891 (54 & 55 Vict. c. 24). Under the powers thereby conferred upon the Treasury, the practice of treating extra receipts hitherto paid into the Exchequer as Appropriations in Aid, has been extended to 39 Votes in the Civil Service Estimates. He remarks that as the amounts thus placed at the disposal of the several departments are set forth in the Estimates, the passing of those Estimates by the House of Commons may be considered as inferentially giving Parliamentary sanction in each case for the total expenditure to be defrayed out of the net grants, as shown by the annual Appropriation Acts, and out of the Appropriations in Aid allocated by the Treasury to the respective services. But as this practice is likely to be still further extended, he draws attention to the constitutional change flowing therefrom, although the change has received legislative sanction by the Act above cited. In illustration of this he adduces several noteworthy instances in his paragraph 5. As regards the Votes for the Army, Navy, Ordnance Factories, and Civil Services and Revenue Departments, which are taken net, out of a gross estimate of 60,224,009*l.*, a sum of 51,928,995*l.* has been appropriated by the Appropriation Act, and a sum of 8,295,014*l.* has been treated as Appropriations in Aid under various Treasury Minutes. For the Mint (a self-supporting service), only 44*l.* were granted by the Appropriation Act of 1892, while a sum of 76,900*l.* was appropriated in aid. For the County Courts, while a sum of 37,029*l.* was granted by the Appropriation Act, a sum of 380,000*l.* was appropriated by a Treasury Minute.

5. Your Committee observe, from his paragraph 6, that the practice has necessitated some modification of the summaries appended to the Classes, so as to compare the gross expenditure with the gross grants, as well as to show the variation between the sums estimated and realised as Appropriations in Aid, together with extra receipts, payable to the Exchequer.

6. On the whole he suggests, at the end of his paragraph 5, that it may be necessary to give some more formal and distinct Parliamentary sanction for the application of the Appropriations in Aid by means of the Appropriation Act itself year by year.

7. It will be seen from several passages in the evidence that your Committee have noticed the objections which may be thought to exist against this practice. But they accept it as having been sanctioned by the Legislature in so recent a year as 1891. Still having regard to the Comptroller and Auditor General's suggestion they have referred Q. 2487–2493. Q. 2504–2513.

Q. 2481. referred it to the Treasury for immediate consideration. Consequently, the Treasury having conferred informally with the Comptroller and Auditor General, and having consulted the officers of the House of Commons, have framed a proposal which, if Q. 2482. adopted, will meet the suggestion of the Comptroller and Auditor General. The terms and particulars of the proposal are set forth in Papers which have been handed Appendices 1 and 2. in to your Committee and will be found appended to the Evidence.

8. It is admitted in the Treasury Memorandum that there is at present no formal Parliamentary recognition or limit of the further sums which under the power given by Section 2 of the Public Accounts and Charges Act, 1891, are shown in the Estimates as intended to be applied in aid of, that is, in addition to, the Exchequer Grants. With a view to meet this point, it is proposed to amend the Appropriation Act as under, viz. :—

(1.) To insert after the second paragraph of Section 3, Appropriation of Grants, the following words:—"In addition to the sums hereby granted out "of the Consolidated Fund, there may be applied out of any money directed "under Section 2 of the Public Accounts and Charges Act of 1891, to be "applied as Appropriations in Aid of the Grants for the Services, and Services "specified in Schedule B. annexed hereto, the sums respectively set forth in "the last column of the said Schedule."

(2.) To set out in an additional column in the Schedule, which appropriates and limits the amounts of the Grants in Supply, the several sums intended to be applied in aid of those Grants, as specified in the Estimates of the various Services upon which the Grants have been based.

9. The Treasury go on to say that by the course proposed, statutory authority will be given year by year for the application of sums not exceeding the amounts shown in the Estimates, and the effect will be to formally limit the spending authority of the departments as regards the Appropriations in Aid, in the same manner as it is now limited as regards Exchequer Grants.

10. Your Committee recommend the adoption of these proposals by Parliament as being essential to the object justly aimed at by the Comptroller and Auditor General.

CLASS I.

Vote 7.—Diplomatic and Consular Buildings.—New Works.

11. The Comptroller and Auditor General, at page 38, paragraph 2, adverts to the unforeseen expenditure in several cases, and specially to two cases where expenditure has been incurred in excess of the amount provided, as well as to 10 cases where no provision had been made. The number of these cases seems great, but it must be looked at in relation to the total number of these buildings scattered over the world. Moreover, in some cases the amounts are trivial. The Treasury explain that there was Q. 2289 and 2290. real urgency, especially in the cases of Zanzibar and Beira, and that some provision had been made in the preceding year's Estimates though the cost fell in this year. They Q. 2285. hold that they have acted, when giving their sanction, within the limits prescribed by Parliament, and your Committee observe that the Comptroller and Auditor General accepts their view. Your Committee desire to impress on those concerned the impor- Q. 2288. ance of not incurring expenditure in the absence of due provision in the Estimates.

Vote 8.—Revenue Department Buildings, Great Britain.

12. In his paragraph 2 the Comptroller and Auditor General points out that in future whenever remanets of expenditure occur certain additional details should be furnished in order that full information may be afforded to Parliament. Your Committee Q. 2202. note that the Treasury accept this suggestion.

Vote 9.—Public Buildings, Great Britain.

13. In his paragraph 1 the Comptroller and Auditor General, adverting to the Appropriations in Aid, observes that any excess realised on this head in excess of the Estimate is to be surrendered to the Exchequer, and not otherwise applied. Your Committee

Committee observe that there was some irregularity here, but that it has been cured by the excess having been made good by a Supplementary Estimate, which has been passed by Parliament. This excess has been considered in your Committee's First Report, and was dealt with then. Q. 2293.

New Works.

14. In his paragraph 2 the Comptroller and Auditor General remarks that the requisite authority from the Treasury has not been furnished to him for over expenditure in certain cases. Your Committee learn that when this expenditure was incurred it was believed that funds within the Vote were available, but when the Vote turned out to be in deficit, and the expenditure to be in excess, it became necessary to obtain the sanction of Parliament to the excess. Now that this has been done the covering sanction of the Treasury previously withheld will be duly communicated. Q. 2300. Q. 2297.

Vote 11.—Sombrero Lighthouse.

15. Your Committee observe that the final proposals of the Board of Trade for the staff of this Lighthouse have not yet been submitted to the Treasury. They trust that this will soon be done. Q. 2302.

Vote 13.—Caledonian Canal.

16. In reference to the remarks of the Comptroller and Auditor General, your Committee apprehend that, perhaps, the rates of the canal dues and tolls are not fixed high enough to meet the normal annual expenses without having to ask for aid from Parliament. This is an administrative question beyond the purview of accounts. Your Committee can only note that a large Grant in Aid has recently been made, and that the Commissioners have undertaken to consult the Treasury before any appreciable excess of expenditure is incurred. Q. 2305.

Vote 16.—Railways, Ireland.

17. In his paragraph 3 the Comptroller and Auditor General observes that certain payments not covered by the terms of contract have been made to the contractors, and that the total amount paid is also in excess of the value of the work performed. The Treasury admit this, but explain that since the time of the Comptroller and Auditor General's Report the matter has been adjusted and balanced, and that the amount received by the contractors is exactly equivalent to the amount which was paid for the work. Your Committee observe that the Comptroller and Auditor General accepts this explanation. Q. 2306. Q. 2307.

CLASS II.

Vote 3.—Treasury and Subordinate Departments.

18. Your Committee have inquired why a sum of 400*l.* was taken credit for by the Treasury from the Local Loans Fund instead of being charged against its own Vote. The Comptroller and Auditor General explained that the Treasury have apportioned the expenses of the work done by various Departments. The work the Treasury did in connection with these local loans was estimated at 400*l.*, and that comes in as an Exchequer Extra Receipt under the Vote. In elucidation of the matter your Committee would add that the 400*l.* was not received by the Treasury. It was paid into the Exchequer. It represents the portion of the amount received from the Local Loans Fund on account of administration expenses connected with loans, for which the Treasury may take credit. It is not taken in aid of the Vote; but like other extra receipts paid direct into the Exchequer, it is noted in the Account as a set off against the charge which falls on public funds in respect of the Treasury. Q. 2347. Q. 2352.

19. Your Committee have noticed an increase of charge, 594*l.* 14*s.* 7*d.*, for the establishment of the Paymaster General's Office. It appears that this is for the most part of a temporary character. Q. 2359.

Vote 5.—Foreign Office.

20. Your Committee have noticed the case of Mr. Carpenter, a second-class clerk, in reference to a question known, from several references, as the age limit. This gentleman was upwards of 70 years of age on 31st December 1891; his permanent employment

employment was extended till 28th January following (1892), as he had only another
Q. 2362. 28 days to serve in order to complete another year's service. It was thought reasonable to do this in reference to his pensionary allowance. After being pensioned he was allowed to continue to serve for a short time longer in order to complete some work he had in hand, but that employment was temporary and not counting for pension.

In connection with this subject, your Committee's attention had been drawn to the
Q. 2363. date on which the Order in Council came into effect. The Treasury had to put a
Q. 2372. construction on the Order in respect of the date, which they accordingly fixed at 31st December 1891.

Vote 8.—Board of Trade.

21. In paragraph 2 of his Report, the Comptroller and Auditor General observed that in the cost of the office of the Registrar General of Seamen, a portion is on account of the Royal Naval Reserve Force. He holds that a reference to this ought to appear on the face of the Estimates of the Board of Trade, and that similarly a reference should be
Q. 2401. added to the Estimates for Naval Services. Your Committee understand that this will be duly done.

Vote 17.—Mercantile Marine Fund.

22. Your Committee have noticed in reference to the Relief of Distressed Seamen at the Mauritius that many men after receiving considerable sums in wages get rid of
Q. 2418. their money rapidly up country, and then come to the port in distress for relief, either from the Local Authorities or the Mercantile Marine Fund. In respect to the administration in that colony of the moneys belonging to the Mercantile Marine Fund, your Committee have impressed on the authorities the importance of supervising so far as this can be done from a great distance the dispensing of relief to seamen who ought to have available resources, though it is recognised that where destitution, from whatever cause, really exists, relief in some form must be afforded. It is in some degree satisfactory to learn that efforts have been made of which the effect has apparently been
Q. 2421. to reduce the charge from 1,000*l.* to 800*l.* In connection with this it is to be added that arrangements have long been in operation for the payment of the wages of Discharged
Q. 2433. Seamen arriving at Foreign Ports through savings banks to their families.

Vote 19.—National Debt Office.

23. Your Committee note that a sum of 292*l.* has been received on account of the Local Loans Fund, because a part of the time of the Staff in the National Debt Office
Q. 2437. is taken up in the administration of the Local Loans Fund. To this case the same remark applies. As to the case under Vote 3, the National Debt Office paid the sum representing their expenses into the Exchequer, which was included in the total sum received from the Local Loans Fund to make good the administrative expenses connected with loans charged on Votes. The course has been pursued since the Local Loans Fund was established in 1887.

Vote 28.—Fishery Board for Scotland.

24. In his paragraph 2 the Comptroller and Auditor General noticed the Memorial presented to the Treasury by the co-guarantors of the Brae Extension to be relieved of
Q. 2449. past liabilities and future obligations. Your Committee learn that relief was refused, and that the matter lies between those gentlemen and the Fishery Board. In the event of the Board not being satisfied there will be no means except a resort to legal
Q. 2451. proceedings. Your Committee regret to learn that the same remarks apply in a
Q. 2450. considerable degree to the co-guarantors in the Hillswick case. It appears that they had guaranteed in concert with the Fishery Board a sum of money to the Post Office for
Q. 2455. the construction and maintenance of telegraphs, and have not yet fulfilled that obligation.

25. In reference to the stores of certain ships (the "Vigilant" and the "Garland") your Committee learn that an arrangement is being made whereby there will be
Q. 2459. established a head office system of checking the stores of the "Garland," but that as regards the "Vigilant" the necessary arrangements cannot be made pending its replacement by a new vessel.

Vote 33.—Chief Secretary for Ireland.

26. In reference to age limit your Committee have noticed the case of Sir Thomas Brady. According to the Order in Council making retirement compulsory at 65 years of age he should have retired on the 31st December 1891. Further payments have, however, been made to him. Your Committee observe that he contended that the Order did not apply to him as an officer appointed under statute. He presented a Petition of Right, the Government continued to pay his salary up to the time when the case was decided against him. Q. 2473. Q. 2475.

Vote 35.—Local Government Board, Ireland.

27. The questions raised by the Comptroller and Auditor General under this Vote have been disposed of by the First Report of your Committee. A Supplementary Estimate has been presented, and an Excess Vote taken.

CLASS III.

Vote 1.—Law Charges, England.

28. In his second paragraph the Comptroller and Auditor General raises the question whether, in reference to the Treasury Minute of 6th December 1893, steps should not be taken to include in Schedule B. those clerks and messengers who are paid out of lump sums granted to heads of Departments. It appears that such sums are granted to departmental authorities for defraying the cost of their staff, according to the recommendations of a departmental committee. In the case of the Solicitor to the Treasury this was thought specially desirable, inasmuch as it is difficult for him to get as permanent civil servants the men he needs, and it was considered he would be better suited by having this sum of money, and being thus allowed to get his own men. The Treasury, however, think it better not to include in Schedule B the persons thus employed, in order to make it clear that in the technical and official sense they are not civil servants, and so to keep them clear of all Orders in Council, inasmuch as most, though not all, of the persons included in that schedule have pensionary claims, and it is always desirable to limit such claims so far as may be fairly possible. Your Committee observe that the Treasury have hesitated to include in this schedule men who are not civil servants and have only a temporary position. On the other hand, your Committee's predecessors last year (*see* paragraph 38 of their Third Report) stated as follows: "they are not insensible to the weight of the considerations which have deterred the Treasury from placing the messengers in Schedule B, but they are of opinion that the better course under present conditions would be to remove all doubt as to the regularity of these and like appointments by adding them to Schedule B of the Order in Council of the 4th June 1870." Your Committee must adhere to this view, especially as the men, though nominally and technically temporary, are actually retained for long periods, and as the Order in Council sets forth that no man shall be permanently or temporarily employed without a Civil Service certificate, thereby implying that a certain sort of employment was within contemplation. Q. 2520. Q. 2531. Qs. 2521 and 2522. Paragraph 38, Third Report, Committee of Public Accounts, 1893.

Vote 3.—Supreme Court of Judicature.

29. In reference to paragraph 3 of the Comptroller and Auditor General's Report, relating to the condition under which new appointments are made by the Lord Chancellor, your Committee learn that his Lordship is prepared to make new appointments when they lie with him personally, subject to the restrictions as to age, or to any future regulation that may be laid down under authority to be conferred by statute. It is to be remembered, however, that this refers to a state of things which your Committee hope will be but temporary, and that the subject, that of subjecting officers of the Legal Department to the same Orders in Council as those which regulate the Civil Service, is likely to come under the consideration of the Legislature. Q. 2581.

Vote 5.—County Courts.

30. In his paragraph 3 the Comptroller and Auditor General adverts to the salaries of certain gentlemen who acted as deputy judges of County Courts during short vacancies, being transferred from the Consolidated Fund to the Vote. Your Committee observe Q. 2585.

that the Treasury consider that the Vote is properly chargeable with such payments, and not the Consolidated Fund. Your Committee, however, think that there may be reasons for adhering to the former system whereby these charges were placed upon the Consolidated Fund, and they recommend that the Treasury should give further consideration to the matter.

Q. 2590. The excess of 6,823*l.* under this Vote has been already dealt with in your Committee's first Report.

Vote 6.—Police Courts, London and Sheerness.

31. Your Committee have considered the question raised by the Comptroller and Auditor General as to the statutory authority under which officials of these courts receive and retain fees for copying depositions, and the like. There is no statutory authority, yet
Q. 2601. there is no statutory prohibition. The work is done out of office hours, and so the clerks have been allowed to retain the fees for their own use, in addition to their salaries, as well as the allowances made by the Wreck Commissioners of the Board of Trade for work connected with the Merchant Shipping Act. A scheme for revising these salaries is
Q. 2608. now on foot, part of which scheme is the surrender of these fees to the Exchequer. It appears that the scale of these fees is of old standing, and has been approved by the Home Office. Your Committee consider that there are objections to the present system,
Qs. 2621 and 2622. and that the revision above mentioned is desirable. It awaits the decision of the Home
Q. 2619. Secretary, and possibly some legislation may be found necessary.

Vote 7.—Police, England and Wales.

32. Your Committee notice certain payments or allowances for rent, in addition to salary, in the Metropolitan Police Department. It appears that these payments are
Q. 2652. made from the Police Fund, over which the Home Office have absolute control. The
Q. 2658. audit of the Comptroller and Auditor General of the expenditure of this fund is conducted
Q. 2654. by administrative order, and not under any Act of Parliament, but it may be a question whether the audit of these accounts should not be authorised by legislative sanction.

Vote 9.—Reformatory and Industrial Schools.

33. In his paragraph 4 the Comptroller and Auditor General observes that a satisfactory and independent test verification of the manager's returns is to be desired. The Home Office is in accord with him in this respect, and the question of increasing
Q. 2659. the staff with this view is under consideration. Your Committee trust that the matter
Q. 2660. will soon be decided.

34. In regard to the earnings of the inmates of Reformatory and Industrial Schools, the Comptroller and Auditor General observes that it was laid down in 1869 that the full Treasury contribution was not to be paid in respect of children employed by private persons in the vicinity of the schools for a certain portion of the day, whose earnings exceeded 2*s.* 6*d.* a week. He inquired why no deduction had been made in certain cases, and was informed by the Home Office that the reduction of the Government
Q. 2663. Grant was held to apply only to full timers. Your Committee learn that the Treasury have approved a limitation laid down by the Home Department, to the effect that where children are employed outside these schools for the whole day, then, irrespectively of the amount earned, the Government Grant shall be reduced either to one-half, or to 2*s.* 6*d.* a week, whatever is the greater. The working of this new rule will need to be watched.

35. The Comptroller and Auditor General again comments on parental contributions, a subject which was mentioned by the Public Accounts Committee in 1891 and 1892. He has applied a test examination to the receipts thus derived. He learns that where the parent professes inability to contribute towards the maintenance, no official inquiry is made in verification, as that would require the services of several
Q. 2665. inspectors. Your Committee learn that the collection of parental contributions is mainly done by the local police and by school boards. In that case it has not been thought necessary to apply an official test. But where the collection is made by the Reformatory Office a test of this kind should be applied.

36. Your Committee notice the large amount of arrears of these contributions,
Q. 2670. 40,000*l.*, equal to about two years' collections. While duly allowing for the abnormal difficulty of making these collections from the classes concerned, your Committee would draw the attention of the departmental authorities to the matter.

Vote 11.—Law Charges and Courts of Law, Scotland.

37. In his paragraph 3 the Comptroller and Auditor General adverts to the age limit for officers. Your Committee learn that it was intended that after the Lord Chancellor had obtained the requisite legislative power in England similar steps should be taken for Scotland and Ireland. Meanwhile, in the absence of any legislative powers, effect has been given to a limited extent to the recommendations made by the Committee of last year, because, in appointing new officers, the principle laid down in the Order in Council of 15th August 1890 has been applied. Q. 2734.

Vote 12.—Register House, Edinburgh.

38. Your Committee observe that the extra receipts under this head exceed the total amount of the Vote, which suggests the question whether the Appropriation in Aid thus Q. 2739. arising would not do away with the necessity of the Vote altogether. Your Committee, however, observe that there can be no question of allowing a Department to spend its receipts without Parliamentary control. The Comptroller and Auditor General considers that a token Vote ought to be taken in order to bring the matter before Parliament in Q. 2741. Committee of Supply, and your Committee concur in this view.

Vote 14.—Prisons, Scotland.

39. In his paragraph 2 the Comptroller and Auditor General, adverting to a payment of 1,000*l.*, observes that the course pursued was irregular, for although the payment on account was made to the agent of the Commissioners on 30th March 1893, the payment of the amount to the vendor did not take place till 11th April 1893, and cannot be considered as made within the financial year ending 31st March 1893. Further, he notes that the expenditure was charged under the wrong sub-head, and this is acknowledged by the Treasury. The other irregularity on the part of the Accounting Officer is also admitted by the Treasury. The principle to be established Q. 2760. is this, that the payment to an agent is not a final payment within the year, otherwise a door would be open to adjustments in an objectionable sense. The only way of rectifying this would be to disallow the payment for 1892–93, to surrender the amount, and to charge it against the subsequent year 1893–94, to which it is properly chargeable. Your Committee consider that this should be done.

Vote 16.—Supreme Court.

40. The excesses noted by the Comptroller and Auditor General have been already dealt with in the First Report of your Committee.

Vote 17.—Irish Land Commission.

41. Your Committee notice in the Report that 16,000*l.* has been paid into the Exchequer by the Commissioners for the Reduction of the National Debt in respect of expenses incurred by the Irish Land Commission on account of the cost of management of the Local Loans Fund during 1892–93. Other sums are also paid into the Exchequer as representing the expenditure of the several Departments in connection with the local Appendix, No. 3. loans during the year. Some of these sums are apparently estimates which may or may not have been fully checked, and which may have been unduly inflated. Sir Edward Q. 2796. Hamilton assures your Committee that next year, when the occasion arises, he will call Q. 2807. on the Departments to give the exact basis on which they make these calculations, and if there should be anything to indicate an excessive charge, he will communicate with the Department concerned. In reference to this your Committee consider that the Q. 2809. requisite figures should be furnished without fail in time for their consideration next year.

Vote 20.—Constabulary.

42. Your Committee observe that the claims of Government against the cities of Cork and Limerick still remain unsatisfied. Q. 2814.

Vote 21.—Prisons, Ireland.

43. In his paragraph 3, the Comptroller and Auditor General adverts to a case similar to that already noticed in reference to the Scotch Prisons, and states that it is contrary to the principles of sound financial accounting to introduce as final charges in

an Appropriation Account sums in respect of the purchase of property for the conveyance of which the deeds have not been completed before the close of the financial year. He adheres to this view after considering the Treasury explanation to the effect that the payment was really an instalment, and was a final payment in the sense that the money was paid and a receipt given. Your Committee would support the view of the Comptroller and Auditor General, especially as possession was obtained neither of the property nor of the title deeds within the year.

Q. 2820.

Q. 2821.

CLASS IV.

Education, Science and Art.

Vote 1.—Education, England and Wales.

44. In paragraph 4 of his Report the Comptroller and Auditor General adverts to certain cases of payments being allowed by the State in schools where many of the scholars had been paying fees of more than 9*d.* a week. This, of course, is contrary to the established principle. The Education Department explains that these cases were deemed exceptional and also admissible under Article 3 of the late Code, which comprised the words, "as a rule," such words being apparently designed to admit exceptions in hard cases. Your Committee observe that these words have been excluded from the new Code, and that in future there will be strict adherence to the rule against Grants being made where the fees exceed 9*d.* a head per week.

Q. 2826.

Qs. 2828 and 2829.

45. Your Committee notice that under items F., page 357, Appropriation Accounts, there is a saving of 10,266*l.* 9*s.* 10*d.*, which may be thought to arise from the fact that in this instance a Supply Vote was obtained for 79,500*l.*, when about 69,000*l.* (as proved by experience) would have been sufficient. The result has been that the money saved on this Supplementary Vote has, for the most part, been spent on other items within the main Vote itself. No satisfactory explanation of this excess demand has been elicited, and your Committee can only observe that while the Department will, on the one hand, be anxious to ask for enough in order to avoid deficit, yet it should, on the other hand, be careful not to ask for too much because the excess might be applied to other items within the Vote, *pro tanto* lessening the control of Parliament over the Estimates.

Q. 2849.

Qs. 2857 and 2879.

46. The attention of your Committee has been attracted to the large number, several hundreds, of School Boards (that is small Boards in rural districts) where Grants from the State are made over and above what would be produced by a rate of 3*d.* in the pound, in order to make up the sum of 20*l.* per school, or 7*s.* 6*d.* per scholar, whichever may be the highest. This is done by the Education Department under Section 97 of the Elementary Education Act of 1870. The Comptroller and Auditor General certifies that the payments have been correctly made under the Act, although no such payment is made to voluntary schools in the same or in similar districts. It is well, however, to note the facts, as the number of School Boards thus State-aided is said to be on the increase.

Q. 2887.

Q. 2879.

Vote 2.—Department of Science and Art for the United Kingdom.

47. Your Committee remark that the doubt expressed by the Comptroller and Auditor General in paragraph 2, regarding the admissibility of the charges for certain lectures, has been solved after consideration of the explanation offered by the Treasury.

Qs. 2899 and 2902.

48. Your Committee notice a passage in page 365 of the Appropriation Account, to the effect that "the savings under the Sub-Heads F. 1, 2, 3, 4, 5, 6, 7, 8, and 9 were due to the carrying out the instructions of the Treasury that the unavoidable excess under F. 10 should be met by savings under other Sub-Heads of Section F." It might be inferred from this that the savings under some Sub-Heads would not have been made unless it had been known that there was to be an excess on another item, and it might further be argued that if economies were fairly practicable they ought to have been made, whether money was wanted to cover an excess or not. Your Committee have impressed these considerations on the Department. It may, however, be fairly said in this instance that pressure was put by the Treasury on the Department, to the effect that expenditure might be reduced on such items as works of art, in order to meet an excess on carriage and materials, and no doubt the expenditure on works of art is one which

Q. 2923.

Q. 2931.

which can be contracted or extended at will. As a general proposition the Treasury urge that the sanction of Parliament is given to the Votes on the whole, as shown in the Estimate, and that the details given in support of the Estimate are for the information of Parliament, but do not bind the Treasury, or the Department with the leave of the Treasury, to spend the money on those particular Sub-Heads; in other words, that the Treasury may sanction alterations in the distribution of the money among the various Sub-Heads within the limits of the Vote. Q. 2932.

Vote 3.—British Museum.

49. Your Committee notice that some moneys set down in the Estimate for the British Museum have been applied to the Natural History Museum at South Kensington. The Treasury have, however, the power to sanction this as the two institutions are included in one Vote. Q. 2956. Q. 2957.

Vote 9.—Public Education, Scotland.

50. From paragraph 2 of the Comptroller and Auditor General's Report your Committee observe that the long-disputed question whether the fee grant is to be considered in determining the 9*d.* limit has been determined by a reference to the Law Officers of the Crown for England and Scotland.

51. Your Committee duly note the remarks made by the Comptroller and Auditor General (paragraph 4) regarding the Leith (Burgh) Academy. He contends (see page 393) that "the governors of the trusts had no power under the deeds to contribute to the income of the Academy otherwise than by paying the fees of certain scholars; that consequently the original entry seemed to be correct, and the condition of percentage to have been infringed." Q. 2967.

52.. There has been some complexity in this matter; but your Committee learn that as the abolition of fees has altered the conditions of the deeds under which the trustees have been acting, and as it is no longer necessary for them to pay the fee in respect of particular children, they are trying to get the deeds put into order to provide for some other payment of this money whereby they will probably obtain power to do very much what they are now doing. Indeed, they are understood to be applying to the Court of Session for such power. Your Committee think that the decision of the Court must be awaited. Q. 2968.

53. Your Committee observe at Sub-head F., on page 390, there are grants for small School Boards in Scotland, similar to those already noticed in England and Wales. The amount for Scotland is relatively large, 10,674*l.*, and it is explained that this expenditure mainly occurs in the poor districts of the Highlands. Q. 2987. Q. 2989.

Vote 10.—National Gallery for Scotland.

54. In paragraph 1 the Comptroller and Auditor General reports that for the expenditure under this Vote no information has been afforded to him which would enable him to ascertain whether the money granted has been expended or has been appropriated in accordance with the Sub-heads shown in the Estimates, in other words to comply with the terms of the Exchequer and Audit Act. The Treasury explain that owing to the peculiar circumstances connected with this Vote, it has been held to be a Grant in Aid, and therefore exempt from the ordinary process of auditing by the Comptroller and Auditor General. They offer, however, to furnish the Comptroller and Auditor General with the result of the audit of these accounts by the Auditor of the Court of Sessions whose report is submitted to the Secretary for Scotland. The Comptroller and Auditor General, however, points out, that under that view of the case, he would wish to be relieved from responsibility in connection with this audit, which is virtually conducted by the Secretary for Scotland, and which he could not accept as relieving him of his functions as Auditor General. If this expenditure be a Grant in Aid not falling within his purview, well and good; but if it be not, then he cannot accept any other audit save his own. In reference to this, your Committee learn that the Treasury adhere to their view that this is a Grant in Aid, and therefore exempt from audit by the Comptroller and Auditor General, though they are quite prepared to see this audit instituted if it be authoritatively deemed necessary. Q. 3004. Q. 3008. Q. 3066.

55. Your Committee find in regard to this subject that down to almost 1888 there was a fixed grant made to Scotland in the terms of the Treaty of Union, namely, 2,000*l.* a year with 100*l.* a year extra for the Torrie Collection. The old form was that it was the amount required to pay the annuity to the Board of Trustees of Manufacturers in Scotland. So far no question of audit by the Comptroller and Auditor General appears to have arisen, the amount being regarded as one of those Grants in Aid which are exempt from this audit. The form set forth "in discharge of equivalents under the Treaty of Union to be applied to the maintenance of the National Gallery, School of Art, and Museum of Antiquities, Scotland, and for exhibiting the Torrie Collection of Works of Art and other purposes." This amount of 2,100*l.* has been raised on various occasions to nearly double that amount, and grants have been made with appropriations to more than one Sub-head, and since then the Comptroller and Auditor General has raised the question of audit:—in other words, so long as the amount was entered in the Estimates to meet the equivalents granted under the Treaty of Union it did not come under audit, but when the amount was raised and appeared as an ordinary Grant, then it came under the provisions of the Audit Act. On the whole the Comptroller and Auditor General now contends that the amount taken under Sub-head A. may be taken as a Grant in Aid, pure and simple, for which the audit need not be insisted upon, but with regard to the other sums which are Grants with Appropriations, these details must be followed, that is, there must be audit. Your Committee concur in that contention, especially as they find from precedents that all Grants in Aid are not exempt from audit, and that some Grants in England, analogous to these, are audited. But with this view it would be necessary that the Treasury and the Secretary for Scotland should enter into arrangements with the Board of Manufacturers, which is an independent body. Your Committee consider that steps should be taken in this direction.

Q. 3064. Q. 3026. Q. 3011. Qs. 3067 and 3068. Q. 3073.

Vote 11.—Public Education, Ireland.

56. In paragraph 3 the Comptroller and Auditor General remarks that an expert official was employed, not as might have been expected according to the terms of the Vote, in the instruction of pupils at the Glasnevin and Munster farms, but in improving the butter industry throughout Ireland; a special service for which no provision was made in the Estimate, nor could apparently be made with propriety under Sub-head F. 2 of this Vote, which seems to provide only for the instruction of pupils at the Albert Agricultural and Dairy Training Department, Glasnevin. The Treasury, while acknowledging that a special note should have been appended to the account in order to draw attention to the point, do yet contend that this was an educational purpose, that this was the most reasonable Vote against which to charge the cost, that it, in fact, came within the four corners of the Vote, and that consequently the allocation fell within the power of the Treasury to sanction. Your Committee accept this view, while recognising the advantage of the point being mentioned by the Comptroller and Auditor General, especially as the money was applied not to the instruction of pupils, but to outsiders who were not pupils.

Q. 3096.

57. In paragraph 6 the Comptroller and Auditor General refers to a question which has arisen with the Commissioners regarding the average attendance in schools. He was informed that the definition in the English Acts does not apply to Ireland, and that, in point of fact, there was no model or ordinary national school in which prior to the Irish Education Act coming into operation, the average fee payable by the scholars was in excess of 9*d.* a week. The latter statement is said by the Commissioners to be based on an investigation of the attendance of schools and receipts of school fees for the year 1891, a statement which the Comptroller and Auditor General is unable to verify. On this point your Committee have considered some remarks by Inspector Keenan which have been cited by the Treasury to the effect that "returns of the average daily attendance of pupils and of the school fees received by the teachers at the National Schools severally for the year 1891 were obtained, duly certified by the teachers and managers, and these returns have undergone the most careful check of the inspectors, and any inaccuracies therein have been rectified. Upon the basis of the average rate of fees in each school for that year the Commissioners have determined what schools may still charge an average school fee (the excess above 6*s.* charged in 1891), and what schools are absolutely free. The number of those that may still charge fees is 1,071. About 7,400 schools are absolutely free. Nothing could be more assured than the basis on which the

Q. 3079.

the average rate of fees in 1891 was determined." On the whole your Committee learn that the Comptroller and Auditor General is satisfied with the explanation that has been given. Q. 3082.

Vote 13.—National Gallery of Ireland.

58. In reference to what has been said before regarding Grants in Aid, your Committee observe that in respect to the Vote for this gallery there is a complete audit, and that no part of it is treated as a Grant in Aid. Qs. 3097 and 3098.

Vote 14.—Queen's College, Ireland.

59. In paragraph 2 the Comptroller and Auditor General, while acknowledging that the age-limit arrangements for the future are satisfactory, proceeds to say that the President of Queen's College, Galway, who is beyond the age of 70 years, appears still to be drawing full salary. Your Committee learn that there is a question as to whether the President and Professors of the Queen's College are within the scope of the Order in Council. A case has been drawn up quite recently and submitted to the law officers. The matter is still pending.

CLASS V.

Vote 1.—Diplomatic and Consular Services.

60. In his paragraph 6 the Comptroller and Auditor General, referring to Sub-head O., Compassionate Gratuities, remarks that the details of these gratuities should have been stated with greater fulness in the Appropriation Account. Your Committee learn that a note has been made in the Estimates for the present financial year, with which the Comptroller and Auditor General is satisfied. Qs. 3106 and 3107.

61. In reference to paragraph 10 of the Comptroller and Auditor General's Report, your Committee learn that the Departmental Committee nominated to report upon the question relating to the compulsory retirement of Officers in the Consular Service has not yet been able to meet. The Treasury explain that it is very difficult to conduct the proceedings of this Committee during the Session of Parliament. It is thought there will be more time for the Committee's labours if they wait till Parliament is in recess. Your Committee desire to impress on those concerned the importance of bringing this matter to an early settlement. Q. 3109. Q. 3110.

62. In paragraph 16, the Comptroller and Auditor General remarks that the fees in Nyassaland have been appropriated towards the cost of building a court-house at Blantyre, instead of being brought in aid of the Consular Vote. This was done, as your Committee learn, with the sanction of the Treasury as a special case. This matter was noticed by the Public Accounts Committee of 1893. The Comptroller and Auditor General still urges the question as to whether these fees were properly diverted; and his doubts appear to be shared by the Treasury also in their letter printed at page 436. Your Committee consider that the course adopted was not strictly correct. The Treasury explain that the difficulties (mentioned in their letter of 24th February 1893) are great in respect to maintaining financial control over the Commissioner in regard to the initiation of expenditure and the audit of his accounts. This case may be admitted to be one of a very exceptional character with which the Treasury had to deal. Q. 3115. Q. 3117.

63. In reference to Sub-head *d*, paragraph 5, of the Comptroller and Auditor General's Report, your Committee notice in respect to the British East African Company the remark by the Treasury to the effect that the company should be asked to furnish Her Majesty's Government eventually with a certified statement of the actual cost to them of the prolonged occupation of Uganda divided under leading heads, and to agree that should this cost prove to be less than the Grant in Aid paid to them (that is the 10,000*l.*), the difference will be repaid by them to the Foreign Office. This certificate has not yet been given by the company, who explain that the delay in preparing the statement was owing to sickness among the clerks who dealt with the accounts. It appears that there is still a sum hanging in suspense. Qs. 3125 and 3126. Q. 3129.

64. In reference to paragraph 19 of the Comptroller and Auditor General's Report on the subject of the Seaman's Hospital at Smyrna and Constantinople, your Q. 3150. Committee learn that the Treasury and the Foreign Office have agreed in the conclusion that these charges should be removed from the Vote, and formed into a separate fund; but that the change cannot be effected till the next year's Estimate.

Vote 3.—Colonial Services, including South Africa.

65. In paragraph 7 the Comptroller and Auditor General states that he deemed it advisable to communicate with the Treasury in regard to a question relating to Cape Town. Your Committee learn that a reply has been received which is satisfactory to the Comptroller and Auditor General, as it conveys the necessary sanction of the Q. 3160. Treasury to the arrangement that had been made.

Vote 6.—Behring Sea Sealers' Compensation.

66. In paragraph 1 the Comptroller and Auditor General requires properly certified periodical statements showing the progress of distribution, in order that the ultimate remainder of the unexpended balance, if any, may be kept in view. Your Q. 3162. Committee learn that the Treasury will cause this to be done.

18 *July* 1894.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, 18*th July* 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Mr. Mowbray.
Mr. Alpheus Morton.	Sir Arthur Hayter.
Sir John Hibbert.	Mr. Arthur O'Connor.
Mr. Buchanan.	Mr. Stanhope.

DRAFT THIRD REPORT, proposed by the *Chairman*, read the first time, as follows :—

"CIVIL SERVICE AND REVENUE DEPARTMENTS APPROPRIATION "ACCOUNTS, 1892-93.

"1. BEFORE entering upon the Classes and Votes, the Comptroller and Auditor General prefaces his observations in detail by a General Report, to which your Committee have paid due attention.

"2. The several excesses summarised in his paragraph 1 have been dealt with by your Committee in their First Report.

"3. The cases noted in his paragraph 4, regarding the continued employment of officers after their attaining the age of 70, in several Departments of the Civil Service, will be noted by your Committee hereafter, when they touch on each of the several Departments mentioned. The same remark applies to the application of the Order in Council to the Legal Departments and the Consular Service.

"4. In his paragraph 5 the Comptroller and Auditor General adverts to the operation of Section 2 of the Public Accounts and Charges Act of 1891 (54 & 55 Vict. c. 24). Under the powers thereby conferred upon the Treasury, the practice of treating extra receipts hitherto paid into the Exchequer as Appropriations in Aid has been extended to 39 Votes in the Civil Service Estimates. He remarks that, as the amounts thus placed at the disposal of the several Departments are set forth in the Estimates, the passing of those Estimates by the House of Commons may be considered as inferentially giving Parliamentary sanction in each case for the total expenditure to be defrayed out of the net grants, as shown by the annual Appropriation Acts, and out of the Appropriations in Aid allocated by the Treasury to the respective services. But as this practice is likely to be still further extended, he draws attention to the constitutional change flowing therefrom, although the change has received legislative sanction by the Act above cited. In illustration of this he adduces several noteworthy instances in his paragraph 5. As regards the Votes for the Army, Navy, Ordnance Factories, and Civil Services and Revenue Departments, which are taken net, out of a gross estimate of 60,224,009*l.*, a sum of 51,928,995*l.* has been appropriated by the Appropriation Act, and a sum of 8,295,014*l.* has been treated as Appropriations in Aid under various Treasury Minutes. For the Mint (a self-supporting service), only 44*l.* were granted by the Appropriation Act of 1892, while a sum of 76,900*l.* was appropriated in aid. For the County Courts, while a sum of 37,092*l.* was granted by the Appropriation Act, a sum of 380,000*l.* was appropriated by a Treasury Minute.

"5. Your Committee observe, from his paragraph 6, that the practice has necessitated some modification of the summaries appended to the Classes, so as to compare the gross expenditure with the gross grants, as well as to show the variation between the sums estimated and realised as Appropriations in Aid, together with extra receipts, payable to the Exchequer.

"6. On the whole he suggests, at the end of his paragraph 5, that it may be necessary to give some more formal and distinct Parliamentary sanction for the application of the Appropriations in Aid by means of the Appropriation Act itself year by year.

"7. It will be seen from several passages in the Evidence that your Committee have noticed the objections which may be thought to exist against this practice. But they accept it as having been sanctioned by the Legislature in so recent a year as 1891. Still, having regard to the Comptroller and Auditor General's suggestion, they have referred it to the Treasury for immediate consideration. Consequently, the Treasury having conferred informally with the Comptroller and Auditor Q. 2487-2498. Q. 2504-2513. Q. 2186.

Q. 2482. Auditor General, and having consulted the officers of the House of Commons, have framed a proposal which, if adopted, will meet the suggestion of the Comptroller and Auditor General. The terms and particulars of the proposal are set forth in Papers which have been handed in to your Committee and will be found appended to the Evidence.

"8. It is admitted in the Treasury Memorandum that there is at present no formal Parliamentary recognition or limit of the further sums which, under the power given by Section 2 of the Public Accounts and Charges Act, 1891, are shown in the Estimates as intended to be applied in aid of, that is, in addition to, the Exchequer Grants. With a view to meet this point, it is proposed to amend the Appropriation Act as under, viz.:—

"(1.) To insert after the second paragraph of Section 3, Appropriation of Grants, the following words:—'In addition to the sums hereby granted out of the Consolidated Fund, 'there may be applied out of any money directed under Section 2 of the Public Accounts 'and Charges Act of 1891, to be applied as Appropriations in Aid of the Grants for the 'Services, and Services specified in Schedule B. annexed hereto, the sums respectively set 'forth in the last column of the said Schedule.'

"(2.) To set out in an additional column in the Schedule, which appropriates and limits the amounts of the Grants in Supply, the several sums intended to be applied in aid of those Grants, as specified in the Estimates of the various Services upon which the Grants have been based.

"9. The Treasury go on to say that by the course proposed statutory authority will be given year by year for the application of sums not exceeding the amounts shown in the Estimates, and the effect will be to formally limit the spending authority of the Departments as regards the Appropriations in Aid, in the same manner as it is now limited as regards Exchequer Grants.

"10. Your Committee concur in these proposals, and recommend their adoption by Parliament, as being essential to the object justly aimed at by the Comptroller and Auditor General.

"CLASS I.

"Vote 7.—Diplomatic and Consular Buildings.—New Works.

"11. The Comptroller and Auditor General, at page 38, paragraph 2, adverts to the unforeseen expenditure in several cases, and specially to two cases where expenditure has been incurred in excess of the amount provided, as well as to 10 cases where no provision had been made. The number of these cases seems great, but it must be looked at in relation to the total number of these
Q. 2289 & 2290. buildings scattered over the world. Moreover, in some cases the amounts are trivial. The
Q. 2285. Treasury explain that there was real urgency, especially in the cases of Zanzibar and Beira, and that some provision had been made in the preceding year's Estimates though the cost fell in this year. They hold that they have acted, when giving their sanction, within the limits prescribed by Parliament, and your Committee observe that the Comptroller and Auditor General accepts their
Q. 2288. view.

"Vote 8.—Revenue Department Buildings, Great Britain.

"12. In his paragraph 2 the Comptroller and Auditor General points out that in future, whenever remanets of expenditure occur, certain additional details should be furnished in order that full information may be afforded to Parliament. Your Committee note that the Treasury accept this
Q. 2292. suggestion.

"Vote 9.—Public Buildings, Great Britain.

"13. In his paragraph 1 the Comptroller and Auditor General, adverting to the Appropriations in Aid, observes that any excess realised on this head in excess of the Estimate is to be surrendered to the Exchequer, and not otherwise applied. Your Committee observe that there was some irregularity here, but that it has been cured by the excess having been made good by a Supplementary Estimate, which has been passed by Parliament. This excess has been considered
Q. 2293. in your Committee's First Report, and was dealt with then.

"New Works.

"14. In his paragraph 2 the Comptroller and Auditor General remarks that the requisite authority from the Treasury has not been furnished to him for over-expenditure in certain cases. Your Committee learn that when this expenditure was incurred it was believed that funds within
Q. 2300. the Vote were available, but when the Vote turned out to be in deficit, and the expenditure to be
Q. 2297. in excess, it became necessary to obtain the sanction of Parliament to the excess. Now that this has been done the covering sanction of the Treasury previously withheld will be duly communicated.

"Vote 11.—Sombrero Lighthouse.

"15. Your Committee observe that the final proposals of the Board of Trade for the staff of
Q. 2302. this Lighthouse have not yet been submitted to the Treasury. They trust that this will soon be done.

"VOTE 13.—CALEDONIAN CANAL.

"16. In reference to the remarks of the Comptroller and Auditor General, your Committee apprehend that, perhaps, the rates of the canal dues and tolls are not fixed high enough to meet the normal annual expenses without having to ask for aid from Parliament. This is an administrative question beyond the purview of accounts. Your Committee can only note that a large Grant in Aid has recently been made, and that the Commissioners have undertaken to consult the Treasury before any appreciable excess of expenditure is incurred. Q. 2305.

"VOTE 16.—RAILWAYS, IRELAND.

"17. In his paragraph 3 the Comptroller and Auditor General observes that certain payments not covered by the terms of contract have been made to the contractors, and that the total amount paid is also in excess of the value of the work performed. The Treasury admit this, but explain that since the time of the Comptroller and Auditor General's Report the matter has been adjusted and balanced, and that the amount received by the contractors is exactly equivalent to the amount which was paid for the work. Your Committee observe that the Comptroller and Auditor General virtually accepts this explanation. Q. 2306. Q. 2307.

"CLASS II.

"VOTE 3.—TREASURY AND SUBORDINATE DEPARTMENTS.

"18. Your Committee have inquired why a sum of 400*l.* was taken credit for by the Treasury from the Local Loans Fund instead of being charged against its own Vote. The Comptroller and Auditor General explained that the Treasury have apportioned the expenses of the work done by various Departments. The work the Treasury did in connection with these local loans was estimated at 400*l.*, and that comes in as an Exchequer Extra Receipt under the Vote. In elucidation of the matter your Committee would add that the 400*l.* was not received by the Treasury. It was paid into the Exchequer. It represents the portion of the amount received from the Local Loans Fund on account of administration expenses connected with loans, for which the Treasury may take credit. It is not taken in aid of the Vote; but like other extra receipts paid direct into the Exchequer, it is noted in the Account as a set off against the charge which falls on public funds in respect of the Treasury. Q. 2347. Q. 2352.

"19. Your Committee have noticed an increase of charge, 594*l.* 14*s.* 7*d.*, for the establishment of the Paymaster General's Office. It appears that this is for the most part of a temporary character. Q. 2359.

"VOTE 5.—FOREIGN OFFICE.

"20. Your Committee have noticed the case of Mr. Carpenter, a second-class clerk, in reference to a question known, from several references, as the age limit. This gentleman was upwards of 70 years of age on 31st December 1891; his permanent employment was extended till 28th January following (1892), as he had only another 28 days to serve in order to complete another year's service. It was thought reasonable to do this in reference to his pensionary allowance. After being pensioned he was allowed to continue to serve for a short time longer in order to complete some work he had in hand, but that employment was temporary, and not counting for pension. Q. 2362.

"In connection with this subject, your Committee's attention had been drawn to the date on which the Order in Council came into effect. The Treasury had to put a construction on the Order in respect of the date, which they accordingly fixed at 31st December 1891. Q. 2363. Q. 2372.

"VOTE 8.—BOARD OF TRADE.

"21. In paragraph 2 of his Report, the Comptroller and Auditor General observed that in the cost of the office of the Registrar General of Seamen, a portion is on account of the Royal Naval Reserve Force. He holds that a reference to this ought to appear on the face of the Estimates of the Board of Trade, and that similarly a reference should be added to the Estimates for Naval Services. Your Committee understand that this will be duly done. Q. 2401.

"VOTE 17.—MERCANTILE MARINE FUND.

"22. Your Committee have noticed in reference to the Relief of Distressed Seamen at the Mauritius that many men, after receiving considerable sums in wages, get rid of their money rapidly up country, and then come to the port in distress for relief, either from the Local Authorities or the Mercantile Marine Fund. In respect to the administration in that colony of the moneys belonging to the Mercantile Marine Fund, your Committee have impressed on the authorities the importance of supervising so far as this can be done from a great distance the dispensing of relief to seamen who ought to have available resources, though it is recognised that where destitution, from whatever cause, really exists, relief in some form must be afforded. It is in some degree satisfactory to learn that efforts have been made of which the effect has apparently been to reduce the charge from 1,000*l.* to 800*l.* In connection with this it is to be added that arrangements have long been in operation for the payment of the wages of Discharged Seamen arriving at Foreign Ports through savings banks to their families. Q. 2418. Q. 2421. Q. 2433.

"VOTE 19.—NATIONAL DEBT OFFICE.

"23. Your Committee note that a sum of 292*l.* has been received on account of the Local Loans Fund, because a part of the time of the Staff in the National Debt Office is taken up in the administration of the Local Loans Fund. To this case the same remark applies. As to the case under Vote 3, the National Debt Office paid the sum representing their expenses into the Exchequer, which was included in the total sum received from the Local Loans Fund to make good the administrative expenses connected with loans charged on Votes. The course has been pursued since the Local Loans Fund was established in 1887.

Q. 2437.

"VOTE 28.—FISHERY BOARD FOR SCOTLAND.

"24. In his paragraph 2 the Comptroller and Auditor General noticed the Memorial presented to the Treasury by the co-guarantors of the Brae Extension to be relieved of past liabilities and future obligations. Your Committee learn that relief was refused, and that the matter lies between those gentlemen and the Fishery Board. In the event of the Board not being satisfied there will be no means except a resort to legal proceedings. Your Committee regret to learn that the same remarks apply in a considerable degree to the co-guarantors in the Hillswick case. It appears that they had guaranteed in concert with the Fishery Board a sum of money to the Post Office for the construction and maintenance of telegraphs, and have not yet fulfilled that obligation.

Q. 2449.

Q. 2451.

Q. 2450.

Q. 2455.

"25. In reference to the stores of certain ships (the 'Vigilant' and the 'Garland') your Committee learn that an arrangement is being made whereby there will be established a head office system of checking the stores of the 'Garland,' but that as regards the 'Vigilant' the necessary arrangements cannot be made pending its replacement by a new vessel.

Q. 2459.

"VOTE 33.—CHIEF SECRETARY FOR IRELAND.

"26. In reference to age limit your Committee have noticed the case of Sir Thomas Brady. According to the Order in Council making retirement compulsory at 65 years of age he should have retired on the 31st December 1891. Further payments have, however, been made to him. Your Committee observe that he contended that the Order did not apply to him as an officer appointed under statute. He presented a Petition of Right, the Government continued to pay his salary up to the time when the case was decided against him.

Q. 2374.

Q. 2475.

"VOTE 35.—LOCAL GOVERNMENT BOARD, IRELAND.

"27. The questions raised by the Comptroller and Auditor General under this Vote have been disposed of by the First Report of your Committee. A Supplementary Estimate has been presented, and an Excess Vote taken.

"CLASS III.

"VOTE 1.—LAW CHARGES, ENGLAND.

"28. In his second paragraph the Comptroller and Auditor General raises the question whether, in reference to the Treasury Minute of 6th December 1893, steps should not be taken to include in Schedule B. those clerks and messengers who are paid out of lump sums granted to heads of Departments. It appears that such sums are granted to departmental authorities for defraying the cost of their staff, according to the recommendations of a departmental committee. In the case of the Solicitor to the Treasury this was thought specially desirable, inasmuch as it is difficult for him to get as permanent civil servants the men he needs, and it was considered he would be better suited by having this sum of money, and being thus allowed to get his own men. The Treasury, however, think it better not to include in Schedule B. the persons thus employed, in order to make it clear that in the technical and official sense they are not civil servants, and so to keep them clear of all Orders in Council, inasmuch as most, though not all, of the persons included in that schedule have pensionary claims, and it is always desirable to limit such claims so far as may be fairly possible. Your Committee observe that the Treasury have hesitated to include in this schedule men who are not civil servants and have only a temporary position. On the other hand, your Committee's predecessors last year (*see* paragraph 38 of their Third Report) stated as follows: 'they are not insensible to the weight of the considerations which have deterred the Treasury from placing the messengers in Schedule B., but they are of opinion that the better course under present conditions would be to remove all doubt as to the regularity of these and like appointments by adding them to Schedule B. of the Order in Council of the 4th June 1870.' Your Committee must adhere to this view, especially as the men, though nominally and technically temporary, are actually retained for long periods, and as the Order in Council sets forth that no man shall be permanently or temporarily employed without a Civil Service certificate, thereby implying that a certain sort of employment was within contemplation.

Q. 2520.

Q. 2531.

Qs. 2521 and 2522.

"VOTE 3.—SUPREME COURT OF JUDICATURE.

"29. In reference to paragraph 3 of the Comptroller and Auditor General's Report, relating to the condition under which new appointments are made by the Lord Chancellor, your Committee learn that his Lordship is prepared to make new appointments when they lie with him personally, subject to the restrictions as to age, or to any future regulation that may be laid down under authority to be conferred by statute. It is to be remembered, however, that this refers to a state of things which your Committee hope will be but temporary, and that the subject, that of subjecting officers of the Legal Department to the same Orders in Council as those which regulate the Civil Service, is likely to come under the consideration of the Legislature. Q. 2581.

"VOTE 5.—COUNTY COURTS.

"30. In his paragraph 3 the Comptroller and Auditor General adverts to the salaries of certain gentlemen who acted as deputy judges of County Courts during short vacancies, being transferred from the Consolidated Fund to the Vote. Your Committee concur with the Treasury in considering that the Vote is properly chargeable with such payments, and not the Consolidated Fund. Q. 2585.

"The excess of 6,823*l.* under this Vote has been already dealt with in your Committee's first Report. Q. 2590.

"VOTE 6.—POLICE COURTS, LONDON AND SHEERNESS.

"31. Your Committee have considered the question raised by the Comptroller and Auditor General as to the statutory authority under which officials of these courts receive and retain fees for copying depositions, and the like. There is no statutory authority, yet there is no statutory prohibition. The work is done out of office hours, and so the clerks have been allowed to retain the fees for their own use, in addition to their salaries, as well as the allowances made by the Wreck Commissioners of the Board of Trade for work connected with the Merchant Shipping Act. A scheme for revising these salaries is now on foot, part of which scheme is the surrender of these fees to the Exchequer. It appears that the scale of these fees is of old standing, and has been approved by the Home Office. Your Committee consider that there are objections to the present system, and that the revision above mentioned is desirable. It awaits the decision of the Home Secretary, and possibly some legislation may be found necessary. Q. 2601. Q. 2608. Qs. 2621 and 2622. Q. 2619.

"VOTE 7.—POLICE, ENGLAND AND WALES.

"32. Your Committee notice certain payments or allowances for rent, in addition to salary in the Metropolitan Police Department. It appears that these payments are made from the Police Fund, over which the Home Office have absolute control. The audit of the Comptroller and Auditor General of the expenditure of this fund is conducted by administrative order, and not under any Act of Parliament. Q. 2652. Q. 2658. Q. 2654.

VOTE 9.—REFORMATORY AND INDUSTRIAL SCHOOLS.

"33. In his paragraph 4 the Comptroller and Auditor General observes that a satisfactory and independent test verification of the manager's returns is to be desired. The Home Office is in accord with him in this respect, and the question of increasing the staff with this view is under consideration. Your Committee trust that the matter will soon be decided. Q. 2659. Q. 2660.

"34. In regard to the earnings of the inmates of Reformatory and Industrial Schools, the Comptroller and Auditor General observes that it was laid down in 1869 that the full Treasury contribution was not to be paid in respect of children employed by private persons in the vicinity of the schools for a certain portion of the day, whose earnings exceeded 2*s.* 6*d.* a week. He inquired why no deduction had been made in certain cases, and was informed by the Home Office that the reduction of the Government Grant was held to apply only to full timers. Your Committee learn that the Treasury have approved a limitation laid down by the Home Department, to the effect that where children are employed outside these schools for the whole day, then, irrespectively of the amount earned, the Government Grant shall be reduced either to one-half, or to 2*s.* 6*d.* a week, whatever is the greater. The working of this new rule will need to be watched. Q. 2663.

"35. The Comptroller and Auditor General again comments on parental contributions, a subject which was mentioned by the Public Accounts Committee in 1891 and 1892. He has applied a test examination to the receipts thus derived. He learns that where the parent professes inability to contribute towards the maintenance, no official inquiry is made in verification, as that would require the services of several inspectors. Your Committee learn that the collection of parental contributions is mainly done by the local police and by school boards. In that case it has not been thought necessary to apply an official test. But where the collection is made by the Reformatory Office a test of this kind should be applied. Q. 2665.

"36. Your Committee notice the large amount of arrears of these contributions, 40,000*l.*, equal to about two years' collections. While duly allowing for the abnormal difficulty of making these collections from the classes concerned, your Committee would draw the attention of the departmental authorities to the matter. Q. 2670.

"VOTE 11.—LAW CHARGES AND COURTS OF LAW, SCOTLAND.

"37. In his paragraph 3 the Comptroller and Auditor General adverts to the age limit for officers. Your Committee learn that it was intended that after the Lord Chancellor had obtained the requisite legislative power in England similar steps should be taken for Scotland and Ireland. Meanwhile, in the absence of any legislative powers, effect has been given to a limited extent to the recommendations made by the Committee of last year, because, in appointing new officers, the
Q. 2734. principle laid down in the Order in Council of 15th August 1890 has been applied.

"VOTE 12.—REGISTER HOUSE, EDINBURGH.

"38. Your Committee observe that the extra receipts under this head exceed the total amount
Q. 2739. of the Vote, which suggests the question whether the Appropriation in Aid thus arising would not do away with the necessity of the Vote altogether. Your Committee, however, observe that there can be no question of allowing a Department to spend its receipts without Parliamentary control. The Comptroller and Auditor General considers that a token Vote ought to be taken in order to
Q. 2741. bring the matter before Parliament in Committee of Supply, and your Committee concur in this view.

"VOTE 14.—PRISONS, SCOTLAND.

"39. In his paragraph 2 the Comptroller and Auditor General, adverting to a payment of 1,000*l.*, observes that the course pursued was irregular, for although the payment on account was made to the agent of the Commissioners on 30th March 1893, the payment of the amount to the vendor did not take place till 11th April 1893, and cannot be considered as made within the financial year ending 31st March 1893. Further, he notes that the expenditure was charged under the wrong sub-head, and this is acknowledged by the Treasury. The other irregularity on the part of the
Q. 2760. Accounting Officer is also admitted by the Treasury. The principle to be established is this, that the payment to an agent is not a final payment within the year, otherwise a door would be open to adjustments in an objectionable sense. The only way of rectifying this would be to disallow the payment for 1892–93, to surrender the amount, and to charge it against the subsequent year 1893–94, to which it is properly chargeable. Your Committee consider that this should be done.

"VOTE 16.—SUPREME COURT.

"40. The excesses noted by the Comptroller and Auditor General have been already dealt with in the First Report of your Committee.

"VOTE 17.—IRISH LAND COMMISSION.

"41. Your Committee notice in the Report that 16,000*l.* has been paid into the Exchequer by the Commissioners for the Reduction of the National Debt in respect of expenses incurred by the Irish Land Commission on account of the cost of management of the Local Loans Fund during 1892–93. Other sums are also paid into the Exchequer as representing the expenditure of the several Departments in connection with the local loans during the year. Some of these sums are apparently estimates which may or may not have been fully checked, and which may have been
Q. 2796. unduly inflated. Sir Edward Hamilton assures your Committee that next year, when the occasion
Q 2807. arises, he will call on the Departments to give the exact basis on which they make these calcula-
Q. 2809. tions, and if there should be anything to indicate an excessive charge, he will communicate with the Department concerned.

"VOTE 20.—CONSTABULARY.

"42. Your Committee observe that the claims of Government against the cities of Cork and
Q. 2814. Limerick still remain unsatisfied.

"VOTE 21.—PRISONS, IRELAND.

"43. In his paragraph 3 the Comptroller and Auditor General adverts to a case similar to that already noticed in reference to the Scotch Prisons, and states that it is contrary to the principles of
Q. 2820. sound financial accounting to introduce as final charges in an Appropriation Account sums in respect of the purchase of property for the conveyance of which the deeds have not been completed before the close of the financial year. He adheres to this view after considering the Treasury explanation to the effect that the payment was really an instalment, and was a final payment in the sense that the money was paid and a receipt given. Your Committee would support the view of the
Q. 2821. Comptroller and Auditor General, especially as possession was obtained neither of the property nor of the title deeds within the year.

"CLASS IV.

"Education, Science and Art.

"Vote 1.—Education, England and Wales.

"44. In paragraph 4 of his Report the Comptroller and Auditor General adverts to certain cases of payments being allowed by the State in schools where many of the scholars had been paying fees of more than 9*d.* a week. This, of course, is contrary to the established principle. The Education Department explains that these cases were deemed exceptional and also admissible under Article 3 of the late Code, which comprised the words, 'as a rule,' such words being apparently designed to admit exceptions in hard cases. Your Committee observe that these words have been excluded from the new Code, and that in future there will be strict adherence to the rule against Grants being made where the fees exceed 9*d.* a head per week. Q. 2826. Qs. 2828 and 2829.

"45. Your Committee notice that under items F., page 357, Appropriation Accounts, there is a saving of 10,266*l.* 9*s.* 10*d.*, which may be thought to arise from the fact that in this instance as Supply Vote was obtained for 79,500*l.*, when about 69,000*l.* (as proved by experience) would have been sufficient. The result has been that the money saved on this Supplementary Vote has, for the most part, been spent on other items within the main Vote itself. No satisfactory explanation of this excess demand has been elicited, and your Committee can only observe that while the Department will, on the one hand, be anxious to ask for enough in order to avoid deficit, yet it should, on the other hand, be careful not to ask for too much because the excess might be applied to other items within the Vote, *pro tanto* lessening the control of Parliament over the Estimates. Q. 2849.

"46. The attention of your Committee has been attracted to the large number, several hundreds, of School Boards (that is small Boards in rural districts) where Grants from the State are made in order to make up the sum of 20*l.* per school, or 7*s.* 6*d.* per scholar, whichever may be the highest. This is done by the Education Department under Section 97 of the Elementary Education Act of 1870. Your Committee do not actually object to this use of the powers under the section, especially as the Comptroller and Auditor General certifies that the payments have been correctly made under the Act, though they deem it right to observe that no such concession is made to voluntary schools in the same or in similar districts. It is well, however, to note the facts, as the number of School Boards thus State-aided is said to be on the increase. Qs. 2857 and 2879. Q. 2887. Q. 2879.

"Vote 2.—Department of Science and Art for the United Kingdom.

"47. Your Committee remark that the doubt expressed by the Comptroller and Auditor General in paragraph 2, regarding the admissibility of the charges for certain lectures, has been solved after consideration of the explanation offered by the Treasury. Qs. 2899 and 2902.

"48. Your Committee notice a passage in page 365 of the Appropriation Account, to the effect that 'the savings under the Sub-heads F. 1, 2, 3, 4, 5, 6, 7, 8, and 9 were due to the carrying out the instructions of the Treasury that the unavoidable excess under F. 10 should be met by savings under other Sub-heads of Section F.' It might be inferred from this that the savings under some Sub-heads would not have been made unless it had been known that there was to be an excess on another item, and it might further be argued that if economies were fairly practicable they ought to have been made, whether money was wanted to cover an excess or not. Your Committee have impressed these considerations on the Department. It may, however, be fairly said in this instance that pressure was put by the Treasury on the Department, to the effect that expenditure might be reduced on such items as works of art, in order to meet an excess on carriage and materials, and no doubt the expenditure on works of art is one which can be contracted or extended at will. As a general proposition the Treasury urge that the sanction of Parliament is given to the Votes on the whole, as shown in the Estimate, and that the details given in support of the Estimate are for the information of Parliament, but do not bind the Treasury, or the Department with the leave of the Treasury, to spend the money on those particular Sub-heads; in other words, that the Treasury may sanction alterations in the distribution of the money among the various Sub-heads within the limits of the Vote. Q. 2923. Q. 2931. Q. 2932.

"Vote 3.—British Museum.

"49. Your Committee notice that some moneys set down in the Estimate for the British Museum have been applied to the Natural History Museum at South Kensington. The Treasury have, however, the power to sanction this as the two institutions are included in one Vote. Q. 2956. Q. 2957.

"Vote 9.—Public Education, Scotland.

"50. From paragraph 2 of the Comptroller and Auditor General's Report your Committee observe that the long-disputed question whether the fee grant is to be considered in determining the 9*d.* limit has been determined by a reference to the Law Officers of the Crown for England and Scotland.

"51. Your Committee duly note the remarks made by the Comptroller and Auditor General (paragraph 4) regarding the Leigh (Burgh) Academy. He contends (*see* page 393) 'that the

governors of the trusts had no power under the deeds to contribute to the income of the Academy otherwise than by paying the fees of certain scholars; that consequently the original entry seemed Q. 2967. to be correct and the condition of percentage to have been infringed.'

"52. There has been some complexity in this matter; but your Committee learn that as the abolition of fees has altered the conditions of the deeds under which the trustees have been acting, and as it is no longer necessary for them to pay the fee in respect of particular children, they are trying to get the deeds put into order to provide for some other payment of this money whereby Q. 2968. they will probably obtain power to do very much what they are now doing. Indeed, they are understood to be applying to the Court of Sessions for such power. Thereon the Comptroller and Q. 3001. Auditor General informs your Committee that, although as the matter now stands they are not complying strictly with the trust deeds, still if some scheme can be arranged which will bring them Q. 2970. into a regular form of payment, his objection will be removed. Your Committee think that the issue of this arrangement must be awaited.

"53. Your Committee observe at Sub-head F., on page 390, there are grants for small School Q. 2987. Boards in Scotland, similar to those already noticed in England. The amount for Scotland is relatively large, 10,674*l.*, and it is explained that this expenditure mainly occurs in the poor districts Q. 2989. of the Highlands.

"Vote 10.—National Gallery for Scotland.

"54. In paragraph 1 the Comptroller and Auditor General reports that for the expenditure under this Vote no information has been afforded to him which would enable him to ascertain whether the money granted has been expended or has been appropriated in accordance with the Sub-heads shown in the Estimates, in other words to comply with the terms of the Exchequer and Q. 3004. Audit Act. The Treasury explain that owing to the peculiar circumstances connected with this Vote, it has been held to be a Grant in Aid, and therefore exempt from the ordinary process of auditing by the Comptroller and Auditor General. They offer, however, to furnish the Comptroller and Auditor General with the result of the audit of these accounts by the Auditor of the Court of Sessions whose report is submitted to the Secretary for Scotland. The Comptroller and Auditor General, however, points out, that under that view of the case, he would wish to be relieved from responsibility in connection with this audit, which is virtually conducted by the Secretary for Scotland, and which he could not accept as relieving him of his functions as Auditor General. If this expenditure be a Grant in Aid not falling within his purview, well and good; but if it be not, then he cannot accept any other audit save his own. In reference to this your Committee learn that the Treasury adhere to their view that this is a Grant in Aid, and therefore exempt from audit Q. 3008. by the Comptroller and Auditor General, though they are quite prepared to see this audit instituted Q. 3066. if it be authoritively deemed necessary.

"55. Your Committee find in regard to this subject that down to almost 1888 there was a fixed grant made to Scotland in the terms of the Treaty of Union, namely, 2,000*l.* a year with 100*l.* a year extra for the Torrie Collection. The old form was that it was the amount required to pay the annuity to the Board of Trustees of Manufacturers in Scotland. So far no question of audit by the Comptroller and Auditor General appears to have arisen, the amount being regarded as one of those Grants in Aid which are exempt from this audit. The form set forth 'in discharge of equivalents under the Treaty of Union to be applied to the maintenance of the National Gallery, School of Art, and Museum of Antiquities, Scotland, and for exhibiting the Torrie Collection of Q. 3064. Works of Art and other purposes.' This amount of 2,100*l.* has been raised on various occasions to Q. 3026. nearly double that amount, and grants have been made with appropriations to more than one Sub-Q. 3011. head, and since then the Comptroller and Auditor General has raised the question of audit:—in other words, so long as the amount was entered in the Estimates to meet the equivalents granted under the Treaty of Union it did not come under audit, but when the amount was raised and appeared as an ordinary Grant, then it came under the provisions of the Audit Act. On the whole the Comptroller and Auditor General now contends that the amount taken under Sub-head A. may be taken as a Grant in Aid, pure and simple, for which the audit need not be insisted upon, but with regard to the other sums which are Grants with Appropriations, these details must be followed, that is, there must be audit. Your Committee concur in that contention, especially as they find from precedents that all Grants in Aid are not exempt from audit, and that some Grants in England, analogous to these, are audited. But with this view it would be necessary that the Treasury and the Secretary for Scotland should enter into arrangements with the Board of Manufacturers, Qs. 3067 and 3068. which is an independent body. Your Committee consider that steps should be taken in this Q. 3073. direction.

"Vote 11.—Public Education, Ireland.

"56. In paragraph 3 the Comptroller and Auditor General remarks that an expert official was employed, not as might have been expected according to the terms of the Vote in the instruction of pupils at the Glasnevin and Munster farms, but in improving the butter industry throughout Ireland; a special service for which no provision was made in the Estimate, nor could apparently be made with propriety under Sub-head F. 2 of this Vote, which seems to provide only for the instruction of pupils at the Albert Agricultural and Dairy Training Department, Glasnevin. The Treasury, while acknowledging that a special note should have been appended to the account in order to draw attention to the point, do yet contend that this was an educational purpose, that this was the most reasonable Vote against which to charge the cost, that it, in fact, came within the four corners of the

the Vote, and that consequently the allocation fell within the power of the Treasury to sanction. Your Committee accept this view, while recognising the advantage of the point being mentioned by the Comptroller and Auditor General, especially as the money was applied not to the instruction of pupils, but to outsiders who were not pupils. Q. 3096.

"57. In paragraph 6 the Comptroller and Auditor General refers to a question which has arisen with the Commissioners regarding the average attendance in schools. He was informed that the definition in the English Acts does not apply to Ireland, and that, in point of fact, there was no model or ordinary national school in which, prior to the Irish Education Act coming into operation, the average fee payable by the scholars was in excess of 9*d.* a week. The latter statement is said by the Commissioners to be based on an investigation of the attendance of schools and receipts of school fees for the year 1891, a statement which the Comptroller and Auditor General is unable to verify. On this point your Committee have considered some remarks by Inspector Keenan which have been cited by the Treasury to the effect that 'returns of the average daily attendance of pupils and of the school fees received by the teachers at the National Schools severally for the year 1891 were obtained duly certified by the teachers and managers, and these returns have undergone the most careful check of the inspectors, and any inaccuracies therein have been rectified. Upon the basis of the average rate of fees in each school for that year the Commissioners have determined what schools may still charge an average school fee (the excess above 6*s.* charged in 1891), and what schools are absolutely free. The number of those that may still charge fees is 1,071. About 7,400 schools are absolutely free. Nothing could be more assured than the basis on which the average rate of fees in 1891 was determined.' On the whole your Committee learn that the Comptroller and Auditor General is satisfied with the explanation that has been given. Q. 3079. Q. 3082.

"VOTE 13.—NATIONAL GALLERY OF IRELAND.

"58. In reference to what has been said before regarding Grants in Aid, your Committee observe that in respect to the Vote for this gallery there is a complete audit, and that no part of it is treated as a Grant in Aid. Qs. 3097 and 3098.

"VOTE 14.—QUEEN'S COLLEGE, IRELAND.

"59. In paragraph 2 the Comptroller and Auditor General, while acknowledging that the age-limit arrangements for the future are satisfactory, proceeds to say that the President of Queen's College, Galway, who is beyond the age of 70 years, appears still to be drawing full salary. Your Committee learn that there is a question as to whether the President and Professors of the Queen's College are within the scope of the Order in Council. A case has been drawn up quite recently and submitted to the law officers. The matter is still pending.

"CLASS V.

"VOTE 1.—DIPLOMATIC AND CONSULAR SERVICES.

"60. In his paragraph 6 the Comptroller and Auditor General, referring to Sub-head O, Compassionate Gratuities, remarks that the details of these gratuities should have been stated with greater fulness in the Appropriation Account. Your Committee learn that a note has been made in the Estimates for the present financial year, with which the Comptroller and Auditor General is satisfied. Qs. 3106 and 3107.

"61. In reference to paragraph 10 of the Comptroller and Auditor General's Report, your Committee learn that the Departmental Committee nominated to report upon the question relating to the compulsory retirement of Officers in the Consular Service has not yet been able to meet. The Treasury explain that it is very difficult to conduct the proceedings of this Committee during the Session of Parliament. It is thought there will be more time for the Committee's labours if they wait till Parliament is in recess. Q. 3109. Q. 3110.

"62. In paragraph 16, the Comptroller and Auditor General remarks that the fees in Nyassaland have been appropriated towards the cost of building a court-house at Blantyre, instead of being brought in aid of the Consular Vote. This was done, as your Committee learn, with the sanction of the Treasury as a special case. This matter was noticed by the Public Accounts Committee of 1893. The Comptroller and Auditor General still urges the question as to whether these fees were properly diverted ; and his doubts appear to be shared by the Treasury also in their letter printed at page 436. Your Committee consider that the course adopted was not strictly correct. The Treasury explain that the difficulties (mentioned in their letter of 24th February 1893) are great in respect to maintaining financial control over the Commissioner in regard to the initiation of expenditure and the audit of his accounts. This case may be admitted to be one of a very exceptional character with which the Treasury had to deal. Q. 3115. Q. 3117.

"63. In reference to Sub-head *d*, paragraph 5, of the Comptroller and Auditor General's Report, your Committee notice in respect to the British East African Company the remark by the Treasury to the effect that the company should be asked to furnish Her Majesty's Government eventually with a certified statement of the actual cost to them of the prolonged occupation of Uganda divided under leading Heads, and to agree that should this cost prove to be less than the Grant in Aid paid to them (that is the 10,000*l.*), the difference will be paid by them to the Foreign Office. This certificate has not yet been given by the company, who explain that the delay in preparing the statement was owing to sickness among the clerks who deal with the accounts. It appears that there is still a sum hanging in suspense. Qs. 3125 and 3126. Q. 3129.

"64. In reference to paragraph 19 of the Comptroller and Auditor General's Report on the subject of the Seaman's Hospital at Smyrna and Constantinople, your Committee learn that the Q. 3150. Treasury and the Foreign Office have agreed in the conclusion that these charges should be removed from the Vote, and formed into a separate fund; but that the change cannot be effected till the next year's Estimate.

"VOTE 3.—COLONIAL SERVICES, INCLUDING SOUTH AFRICA.

"65. In paragraph 7 the Comptroller and Auditor General states that he deemed it advisable to communicate with the Treasury in regard to a question relating to Cape Town. Your Committee learn that a reply has been received which is satisfactory to the Comptroller and Auditor General, Q. 3160. as it conveys the necessary sanction of the Treasury to the arrangement that had been made.

"VOTE 6—BEHRING SEA SEALERS' COMPENSATION.

"66. In paragraph 1 the Comptroller and Auditor General requires properly certified periodical statements showing the progress of distribution, in order that the ultimate remainder of the unexpended balance, if any, may be kept in view. Your Committee learn that the Treasury will Q. 3162. cause this to be done."

Question, That the DRAFT REPORT, proposed by the *Chairman*, be read a second time, paragraph by paragraph, put, and *agreed to.*

Paragraphs 1—9, *agreed to.*

Paragraphs 10—11, amended, and *agreed to.*

Paragraph 12, Amendment proposed, in line 3, to leave out the word "accept," and insert the words "have promised to adopt"—(Mr. *Alpheus Morton*).—Question put, That the word "accept" stand part of the paragraph.—The Committee divided:

Ayes, 3.	No, 1.
Sir John Hibbert.	Mr. Alpheus Morton.
Mr. Mowbray.	
Mr. Webb.	

Paragraph *agreed to.*

Paragraphs 13—16, *agreed to.*

Paragraph 17, amended, and *agreed to.*

Paragraphs 18—29, *agreed to.*

Paragraph 30, amended, and *agreed to.*

Paragraph 31, *agreed to.*

Paragraph 32, amended, and *agreed to.*

Paragraphs 33—40, *agreed to.*

Paragraph 41, amended, and *agreed to.*

Paragraphs 42—45, *agreed to.*

Paragraph 46, amended, and *agreed to.*

Paragraphs 47—51, *agreed to.*

Paragraph 52, amended, and *agreed to.*

Paragraphs 53—60, *agreed to.*

Paragraph 61, amended, and *agreed to.*

Paragraphs 62—66, *agreed to.*

Question, That this Report, as amended, be the Third Report of the Committee to the House—put, and *agreed to.*

Ordered, To Report, together with Minutes of Evidence, and an Appendix.

[Adjourned till Wednesday next, at Half-past One o'clock.

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

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MINUTES OF EVIDENCE

Wednesday, 30th May 1894.

MEMBERS PRESENT:

Mr. Buchanan.	Mr. Mowbray.
Mr. Hanbury.	Mr. Arthur O'Connor
Sir Arthur Hayter.	Sir Richard Temple.
Sir John Hibbert.	Mr. Webb.
Mr. Alpheus Morton.	Mr. Arthur Williams.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Sir EDWARD W. HAMILTON, K.C.B., called in and Examined.

CLASS II.

SALARIES AND EXPENSES OF CIVIL DEPARTMENTS.

VOTE 1, passed.

On VOTE 2.

HOUSE OF COMMONS OFFICES.

Mr. *Alpheus Morton.*

2345. (To Sir *C. L. Ryan.*) As regards the Kitchen Committee Accounts would you tell us what sort of audit and examination of that account there is?—The audit and examination is a sufficient one, but it is made at the request of the Kitchen Committee, and for their information only; and I do not think I am in a position, without their consent, to say anything more.

Mr. *Alpheus Morton*—continued.

2346. You have referred to it in your Report?—I have referred to it as a matter of fact, but only in that way.

On VOTE 3.

TREASURY AND SUBORDINATE DEPARTMENTS.

Mr. *Arthur O'Connor.*

2347. (To Sir *E. W. Hamilton.*) Why was it that the Treasury called upon the Commissioners for the Reduction of the National Debt to pay 400*l.* in respect of expenditure by the Treasury in connection with the Local Loans Fund Extra Receipts; why did they not pay it themselves?—The entire administrative expenses in connection with Local Loans are intended to fall upon the Local Loans Fund. This is a rough estimate of the expenses to which the Treasury are put in connection with this matter; and, therefore, it is paid out of the Local Loans Fund, which is administered by the National Debt Commissioners.

2348. Parliament was well aware of that, I suppose, when the arrangement was made with the Commissioners. If the Treasury does any work why should not the Treasury pay for it out of its annual Vote?—The intention was that all administrative expenses incurred in all Departments connected with this subject should be charged to the Local Loans Fund.

Mr. *Arthur O'Connor*—continued.

2349. Why does the Treasury interfere at all?—I do not quite understand what the honourable Member means by the Treasury interfering. This is a rough estimate made of the expenses incurred by the Treasury in connection with the loans.

2350. But it is taken as an extra receipt under the Treasury Vote?—Yes.

2351. Why is that; it is an extra receipt, and it is paid into the Exchequer, is it not?—Yes.

2352. Why is it down here in connection with this

Appropriation Accounts.

Vote 3.—Treasury and Subordinate Departments—*continued.*

Mr. *Arthur O'Connor*—continued.

this Vote?—I think it is practically only a note. At the end of the accounts of other Votes the amount of the extra receipts is stated, and therefore this amount is mentioned by the Comptroller and Auditor General in connection with the Treasury Vote. Perhaps Sir Charles Ryan would be better able to answer the honourable Member's question. (Sir *C. L. Ryan.*) It is stated on the Treasury Account, because the Treasury have apportioned the expenses which have been incurred to the different Departments which paid for them originally. The work the Treasury did in connection with these local loans was roughly estimated to amount to 400*l.*, and therefore 400*l.* was paid over to the Department that did the work, and comes in as an Exchequer Extra Receipt under the Vote. If the honourable Member will look at the first paragraph of the General Report on page v, he will see the amounts apportioned to all the different Departments which are concerned. For instance, my Department gets a sum of 1,383*l.*, because the value of the work done in the year is supposed to amount to that sum.

Sir *John Hibbert.*

2353. Are the same sums paid annually?—It depends upon the condition of the Local Loans Income Fund whether they are able to pay the full amount or not.

Mr. *Arthur O'Connor.*

2354. (To Sir *E. W. Hamilton.*) I see in the case of the Public Works Loan Commission the amount was 5,129*l.*; is the sum we have entered here a fixed sum, or is it a varying sum?—I think 400*l.* has been accepted as the best estimate we could make ever since the Local Loans Fund was established.

2355. Has it varied the case with the other Departments mentioned in page v?—I think some of the other Departments have revised their estimate from time to time; they have been able to make a more accurate estimate than we have been able to make. (Sir *C. L. Ryan.*) They vary.

Mr. *Alpheus Morton.*

2356. (To Sir *E. W. Hamilton.*) Why is there an increase in the total of Salaries, Wages, and Allowances of the Paymaster General's Office, as shown on page 122, of 594*l.* 14*s.* 7*d*; I see there is an explanation?—I think that is explained in the note on page 124.

2357. What has the Paymaster General's Office got to do with the Education Department?—They make the payments for them; they act as their bankers.

2358. Will this extra amount occur every year?—No; not necessarily so. I think they have been able recently to reduce the amount of work in connection with these payments. When the Act relating to Education Fee Grants

Appropriation Accounts.

Vote 3.—Treasury and Subordinate Departments—*continued.*

Mr. *Alpheus Morton*—continued.

was passed two years ago it made the work exceptionally heavy.

2359. Then, as far as you understand, it is temporary for this first year only?—I think it will be found there is a certain amount of payment in the following year, 1893–94.

2360. What is the meaning of the words "acting allowances during vacancies"; do you pay the clerks more for acting than if the vacancy was filled?—When there is a vacancy more work falls upon a clerk already in the office, and he has been given an extra allowance for that extra work.

2361. But you make a saving on account of the vacancy, do you not?—Yes; there would have been a still greater excess presumably if there had been no vacancy.

On Vote 5.

Foreign Office.

Chairman.

2362. (To Sir *E. W. Hamilton.*) You will notice in the concluding lines of paragraph 2 of the Comptroller and Auditor General's Report on this Vote, with regard to the age limit, he reports that Mr. Carpenter, a gentleman whose age on the 31st December 1891 exceeded 70 years, continued to be employed in a permanent post as a Second Class Clerk until January 1892, and afterwards in a temporary capacity; does the Treasury consider it desirable to continue the employment of that gentleman?—The circumstances connected with this case were exceptional. The Committee will probably remember that the Order in Council of the 15th August 1890 did not prescribe any fixed date, and that the omission was supplied by a subsequent Treasury Minute. The date prescribed in that Minute was the 31st December 1891. No doubt Mr. Carpenter, strictly speaking, ought to have been retired on the 31st December 1891, but as he had only another 28 days to serve in order to complete another year's service, it was thought only reasonable to let him serve up to the 28th January, so as to enable him to count that year.

2363. Do I understand you have not extended his service beyond that?—Not his pensioned service. He was allowed to stay on to do a little temporary work, to complete some work which he had in hand; but that has nothing to do with his pensioned service.

2364. Does that temporary employment still continue?—It is at an end now.

2365. You consider that the Treasury have authority to continue the employment of this man in that way?—I think so, as no question of pension arises.

2366. Does the Treasury notice that the indulgence

Appropriation Accounts.

Vote 5.—Foreign Office—*continued.*

Chairman—continued.

dulgence you mention in the case of the Civil Service is one that would not be allowed in the case of a military servant; is it not the fact that if in the case of a military man there is a difference even of a day no allowance is made?—I am afraid I am not able to answer that question.

Sir *John Hibbert.*

2367. I presume the Treasury would not agree to such an extension without there were some special circumstances brought before them?—Certainly not. There must be a very good reason given, and it must be clearly proved to be in the interests of the public service. For instance, this gentleman was allowed to stay for a short period to do this special work, because he had been working at it some time, and it was thought very undesirable to interrupt him in it.

Mr. *Hanbury.*

2368. When you say he was allowed to stay for a short period, how long was that short period?—About a year, I think.

Sir *Arthur Hayter.*

2369. May I ask you one question about the reduction in the staff of Foreign Office messengers; is it a reduction in the number of messengers, or is it a change in accordance with the Ridley Commission's recommendation, that is to say, changing them from officers to non-commissioned officers?—I am afraid I cannot speak with authority upon that point.

Mr. *Alpheus Morton.*

2370. Can you tell me what are the terms of this Order in Council which is referred to in paragraph 2 of the Comptroller and Auditor General's Report?—The time at which Civil Servants should retire was one of the provisions of the Order in Council.

2371. Have the Treasury power to ignore that Order in Council?—No.

2372. But they do, do they not?—There was no specific date prescribed in the Order as to when it was to come into operation. The Treasury had to put a construction upon the Order, and they thought the best date would be the 31st of December 1891.

2373. Is it in force now?—Certainly.

2374. Therefore that sort of question will not arise again?—Not unless the circumstances are very exceptional; I can conceive a very exceptional case arising.

2375. On page 133 there are three items: 100*l.*, 20*l.*, and 188*l.*; is that money expended without the sanction of Parliament?—This is merely a note of the extra allowances paid to members of the Foreign Office staff.

2376. I understand that they are taken out of the Vote, but they are not mentioned to Parliament, are they, except through this Account?—No; Parliament is not seized of every item in a Vote.

Appropriation Accounts.

Vote 5.—Foreign Office—*continued.*

Mr. *Arthur O'Connor.*

2377. This does not come out of the Vote at all, does it; it comes from the Lord Chamberlain's Department?—The first two items came out of the Foreign Office Vote; the third was paid by the Lord Chamberlain.

Mr. *Alpheus Morton.*

2378. The first and second items come out of Vote 5?—Yes.

2379. These two amounts are paid out of savings in Vote 5, are they not?—Yes. They would come under the head of Salaries, Wages, and Allowances.

2380. Having got more money than you want you would be able to give this 120*l.*?—It is absolutely impossible to calculate it to such a nicety as 100*l.*

2381. I am not going into that now; but this is money that is not mentioned in the Estimate before Parliament, is it?—I presume not.

Mr. *Arthur Williams.*

2382. Do you consider it your duty when there is any extra payment or allowance of that kind to note it?—It is noted in the account by the Department, and Treasury sanction has to be obtained.

Mr. *Alpheus Morton.*

2383. (To Sir *C. L. Ryan.*) With regard to this Order in Council of 1890, there was a fresh Order in 1891, as I understand?—No; there was a Treasury Minute with regard to the time of bringing into operation the Order in Council.

2384. In future will you have no occasion to call attention to matters of this sort?—I shall certainly call attention to any case in which the Order in Council is violated.

2385. The question was raised just now with regard to the date at which that came into force?—This case, like many other cases which were before the Committee of last year, and were carefully considered by them, was an instance of the difficulty of bringing into operation in a short time a new Order in Council. The cases this year are the remanets (so to speak) of last year's work, which was not quite finished. If the Treasury exercise in future any powers which are in excess of the Order in Council, I shall feel it my duty to report the matter.

On Vote 6.

Colonial Office.

Mr. *Alpheus Morton.*

2386. (To Sir *E. W. Hamilton.*) Why is there such a large sum as 250*l.* 18*s.* 11*d.* spent for telegrams more than was voted?—It is explained in the footnote.

2387. It appears that the money was taken from other items; can you tell me what right they

ARMY APPROPRIATION ACCOUNT.

Vote 6.—Colonial Office—*continued.*

Mr. *Alpheus Morton*—continued.

they had to take the money from other items?—Parliament makes a grant for a particular service. In old days the Votes presented to Parliament went into no details at all. These Sub-Heads are put before the House of Commons for the purpose of information; they do not absolutely tie a Department down to spending, say, 100*l.* on Sub-Head A., and 200*l.* upon Sub-Head B.

2388. If the Sub-Heads are not correct what is the good of giving them?—It is the best estimate that can be made by the Department as to how they will spend the money taken in the Vote; it is to give the best information they can to Parliament.

2389. (To Sir *C. L. Ryan.*) Would you say, from your point of view, whether there is any objection to what Sir Edward Hamilton has said?—Sir Edward Hamilton has, I believe, correctly stated the law. He might have added, perhaps, that not only can they do that which he has described, but that there is this further restriction, that no Department can vary the amount on a Sub-Head without the consent of the Treasury; so that there is a restriction upon the Department so far as the Treasury is concerned, though not so far as Parliament is concerned.

2390. So far as these items are concerned?—Yes, these Sub-Heads.

2391. (To Sir *E. W. Hamilton.*) Has the consent of the Treasury been obtained in these cases?—Yes. The Comptroller and Auditor General would call attention to it if the Treasury sanction had not been obtained.

2392. Where does it appear in the account that the Treasury have given their sanction?—I

APPROPRIATION ACCOUNTS.

Vote 6.—Colonial Office—*continued.*

Mr. *Alpheus Morton*—continued.

am not aware that it is noted in every case, but the Comptroller and Auditor General would know if Treasury sanction had not been obtained.

2393. Is there no letter given?—A letter would certainly pass between the Colonial Office in this case and the Treasury.

2394. Does that appear printed in these accounts at all?—No.

2395. (To Sir *C. L. Ryan.*) In the case of the Army and Navy Accounts it always appears, does it not?—That is because there it is a transfer between Votes, and it is regulated by the Appropriation Act. Here it is a transfer between Sub-Heads which is under Treasury direction; and if the Treasury authority has been duly given, I see no necessity for noticing it. I always state the fact in these cases, and in this case it is stated that there has been an excess of expenditure over estimate on the Sub-Head.

2396. Where does it say the Treasury have given their consent?—It is not necessary to say that.

2397. I thought you said that on the account there is a note?—There is a note in the Report, in paragraph 1, stating that there has been an excess.

2398. However, you do see that the Treasury gives their consent to the transfer from one Sub-Head to another?—Yes, certainly.

2399. In writing?—Yes.

Chairman.

2400. You have officers upon the spot for the purpose, I presume?—There is an actual written communication in each case of this kind which comes before me.

On VOTE 8.

BOARD OF TRADE.

Mr. COSMO MONKHOUSE, called in; and Examined.

Chairman.

2401. YOU will notice that in the second Sub-Head of paragraph 2 of the Comptroller and Auditor General's Report on this Vote, he alludes to the cost of the Office of the Registrar General of Seamen, of which he says a considerable portion is on account of work performed by the Board of Trade exclusively in connection with the Royal Naval Reserve Force; he also states that if it is considered desirable that provision for part of the service should remain in the Board of Trade Estimates, he is of opinion that a distinct reference to the connection of the charge with the Royal Naval Reserve should appear upon the face of the Estimates, and that similarly a reference to this expenditure should be added in the Estimates for Naval Services; can that be done?—Yes, quite easily; there is no difficulty at all.

Chairman—continued.

2402. Has it been done?—It has not been done.

2403. May the Committee assume that it will be done?—Certainly, if they wish it.

2404. (To Sir *C. L. Ryan.*) Are you satisfied after hearing what Mr. Monkhouse says?—Provided it is shown clearly on the face of the Estimate, I am satisfied.

2405. (To Mr. *Monkhouse.*) In regard to what the Comptroller and Auditor General says, will you take care that it is shown upon the face of the Estimates?—Yes.

Mr. *Arthur O'Connor.*

2406. (To Sir *C. L. Ryan.*) I thought this account would show any case in which an officer is receiving pay from two Departments?—I think it

30 *May* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Monkhouse. [*Continued.*

Appropriation Accounts.

Vote 8.—Board of Trade—*continued.*

Mr. *Arthur O'Connor*—continued.

it ought to show that; it is the intention that there should be a note to that effect.

2407. Is there not an officer of the Board of Trade, Mr. Purcell, who is concerned with the registration of companies (I believe he is the Registrar of Joint Stock Companies), who is also connected with the Inland Revenue in the matter of stamps?—If he receives anything out of the Board of Trade Vote it should appear in the Board of Trade Vote. Perhaps the honourable Member would ask the Accounting Officer; I cannot always know these facts.

2408. (To Mr. *Monkhouse.*) Does not this gentleman receive something out of the Board of Trade Vote?—It is not part of the Board of Trade Vote; it is paid out of the Bankruptcy Vote.

2409. Mr. Purcell receives a salary, I understand; where is it under the Bankruptcy Vote?—It would not appear in these accounts. He did not receive it in 1892–93 at all, I think; I think it is only a recent thing.

2410. Is not he an Inland Revenue officer as well as a Board of Trade officer?—I do not think he is a Board of Trade officer. The Registrar of Joint Stock Companies used to be paid out of the Board of Trade Vote, but the duties of the office have been transferred to the Inland Revenue, and I do not think we pay Mr. Purcell out of the Board of Trade Vote at all.

2411. Since when was that alteration?—I cannot tell you at the moment; but I think I can say distinctly that the present Registrar of Joint Stock Companies is not paid at all out of the Board of Trade Vote. All the heads of the Board of Trade Vote are shown on pages 138, 139; and I think I can answer with perfect certainty that he is not paid anything at all out of the Board of Trade Vote. When the alteration was made as to the office of Registrar of Joint Stock Companies some years ago (I cannot remember the exact year), that officer ceased to be paid out of the Board of Trade Vote; he is certainly not paid out of it now.

Mr. *Alpheus Morton.*

2412. (To Sir *C. L. Ryan.*) I see there is a long correspondence printed in the Report, on pages 142 and 143, with regard to the expense of the Royal Naval Reserve being charged on two different classes of Votes?—Yes.

2413. Has the matter been cleared up to your satisfaction now?—It was stated just now in evidence that Parliament would be clearly informed on both Votes of the fact, and if so Parliament has the information before them, and I should be satisfied.

2414. I gather from the correspondence that your opinion was that it should come under the Navy Vote?—It is very difficult to say, because the officers are working under the supervision of the Board of Trade; and that is not a point I should consider it my duty to press in any way provided Parliament knows clearly what is done.

Appropriation Accounts.

Vote 8.—Board of Trade—*continued.*

Mr. *Alpheus Morton*—continued.

2415. But you say it is under the charge of the Admiralty; I will read the words in your letter; you say the description of Vote 7 would "naturally lead to the supposition that the whole of the expenses charged to the public in connection with the Royal Naval Reserve were defrayed out of the Navy Votes, more especially as the Lords Commissioners of the Admiralty undoubtedly have the administration of that force"?—Of that force, yes.

Mr. *Hanbury.*

2416. (To Mr. *Monkhouse.*) I presume you can only promise for the Board of Trade; you can say nothing for the Admiralty?—It is shown in the Naval Estimates. (Sir *C. L. Ryan.*) In the Naval Estimates they have complied with it.

On Vote 12.

Civil Service Commission.

Mr. *Alpheus Morton.*

2417. (To Sir *C. L. Ryan.*) Has Treasury sanction been given for the large excess expenditure of 1,467*l.* on this Vote; that is not mentioned in the explanation, and it is a large amount?—You may take it, as a matter of course, that if I do not say they have not got Treasury sanction they have got it.

On Vote 17.

Mercantile Marine Fund.

Chairman.

2418. (To Mr. *Monkhouse.*) In paragraph 6 of the Comptroller and Auditor General's Report on this Vote, with regard to the Relief of Distressed Seamen at Mauritius, he states that he is unable so far to obtain explanation as to certain seamen who, notwithstanding that they were discharged with large and varying amounts of wages, became a charge on relief exactly one month after the dates of their discharges, and also as to the large proportion of the seamen discharged by mutual consent or on termination of agreement, who, having been paid off with large balances of wages, subsequently became a charge on the Mercantile Marine Fund; what explanation is there of those two points, which apparently require to be explained?—I am afraid that the only explanation is that the administration there is very defective. They have really no control in a colony, such as this is, over seamen after they are discharged. If seamen are discharged in a foreign port, the consul can have the wages paid to him; but in a colony that is not the case. The wages, however large they are, have to be

Appropriation Accounts.

Vote 17.—Mercantile Marine Fund—*continued.*

Chairman—continued.

paid to the seaman, and the seaman can go up country, or do anything he likes, until he has got rid of the money, and then come back to the port and apply for relief as a distressed seaman, and to be sent home. He has to be so relieved, otherwise he would starve. The restriction of this charge has to be entirely controlled by the colonial officers on the spot.

2419. Supposing a man who had money came for relief, that might be a point for the local authorities, but if men with money try to come upon the Mercantile Relief Fund is there no check upon that?—They have all got rid of their money before they come upon relief.

2420. Is that fund merely a relief agency in this case?—That is all.

2421. Did not the authorities of the fund make some inquiries as to what these men had done with their money, or as to whether they were really in distress?—They were certainly in distress at the time they were relieved. We have done all we can by writing to the officers out there, and we are also in correspondence with the Colonial Office, to try and obtain better administration by the officers there of the relief to these men; that is to say to try to prevent the seamen from spending their money before they get into charge, and to refuse relief in undeserving cases. The result has been, that, whereas for the year ending March 1893 the expense was about 1,000*l.*, it was reduced last year by about 200*l.*, and we are still trying what we can do by way of correspondence to get a further check put upon it.

2422. But is it not possible that a man might represent himself to be in distress without really being so; do the authorities of the Mercantile Marine Fund make proper inquiry?—We make every inquiry. We are the only officers of the Mercantile Marine Fund. The officers who have practically to act as our agents on the spot are really officers of the colony; they are not our officers; so that all we can do is to make representations to their chiefs in the colony, and, in the final resort, to the Colonial Office; and that we have done.

2423. You draw the attention of the authorities there to these cases?—Yes, we have had constant correspondence, and we are still in correspondence. We wrote a strong letter to the colony about a month ago, to which we have not yet received a reply.

2424. Does experience show that seamen so very quickly get rid of their money?—Yes, it does.

Sir *Arthur Hayter.*

2425. Could you tell us what is the nature of the Circular referred to in paragraph 7 which is to be issued to Consular and other Officers Abroad by the Board of Trade?—Yes; I can hand you a copy of it (*handing a Paper to the honourable Member*).

Appropriation Accounts.

Vote 17.—Mercantile Marine Fund—*continued.*

Sir *Arthur Hayter*—continued.

2426. That will prevent the consuls from giving relief unduly?—It should prevent the consuls giving relief in every case except when it comes really to a British seaman being left to die in the streets. In cases of that kind we have never gone so far as to forbid them to give relief where it is necessary to prevent what we consider would be rather a disgrace to the country. These instructions should prevent, as the instructions before ought to have prevented, them from giving relief in every other case.

2427. The Comptroller and Auditor General also says that the Board of Trade intend to issue a stringent order to consuls abroad not to grant relief to crews of yachts unless the owner guarantees the repayment of the cost?—Yes; as regards yachts there has only been one case on record of any large expenditure which we could not recover, and that was the case in which this question arose. As a rule we have no difficulty at all. If we incur expenses the owners always pay without any trouble.

Mr. *Webb.*

2428. Has this Circular referred to in paragraph 10 yet been sent out?—Yes; it is part of the Circular which I have just handed to the honourable Member.

Mr. *Alpheus Morton.*

2429. With regard to that do you intend to refuse relief?—Distinctly to refuse relief, except in such a very extreme case as I have put. We cannot very well allow our seamen to die of starvation in foreign ports, or to be knocking about a port to the scandal of the country, but within those extreme limits the officers abroad have very strict orders not to relieve.

2430. Do you say you have only had one very bad case; that is to say, one case of refusal?—No, that was with regard to yachts.

2431. In paragraph 9 the Comptroller and Auditor General says, "I am informed that the Board of Trade are endeavouring to obtain the information required;" I suppose it is not the Board of Trade that is to blame, but some other authority outside that is to blame for this information not having been given to the Comptroller and Auditor General?—I would not say who is to blame, but we have tried our best to get the information; we cannot give it to the Comptroller and Auditor General before we receive it.

2432. Is it not the Board of Trade that is to blame?—No.

Sir *John Hibbert.*

2433. You have an arrangement with respect to discharged seamen arriving at foreign ports; are you not making some arrangements for the payment of their wages through the savings banks to their families?—That arrangement has been of long standing.

2434. That

30 *May* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Monkhouse. [*Continued.*

Appropriation Accounts.

Vote 17.—Mercantile Marine Fund—*continued.*

Sir *John Hibbert*—continued.

2434. That has been so in England I know, but I am speaking of foreign ports?—What we are doing now, or going to do, is to begin giving them facilities for being sent home from some foreign ports. For a long time the facility of sending money or putting it in the savings bank all over the world has been in operation. That is not new at all.

[Mr. *Monkhouse* withdrew.

On Vote 19.

National Debt Office.

Mr. *Arthur O'Connor.*

2435. (To Sir *E. W. Hamilton.*) Is not the National Debt Office under the National Debt Commissioners?—Certainly; they are nominally responsible for the office; the actual head of the office is the Comptroller General, Sir Rivers Wilson.

2436. Why is it that you have here also a sum of 292*l.* paid into the Exchequer in regard to expenses of management of the Local Loans Fund?—It is on the same principle as in the previous case; part of the time of the staff in the National Debt Office is taken up in the administration of the Local Loans Fund.

On Vote 20.

Public Record Office.

Sir *Arthur Hayter.*

2437. (To Sir *E. W. Hamilton.*) On page 193 I observe it is stated that extra remuneration was given to four senior clerks for "calendaring

Appropriation Accounts.

Vote 20.—Public Record Office—*continued.*

Sir *Arthur Hayter*—continued.

the manuscripts of the Marquis of Salisbury"; that seems an unusual thing; what does that refer to?—It is in connection with the Historical Manuscripts Commission. (Sir *C. L. Ryan.*) It is in regard to the investigation and examination of historical manuscripts.

Mr. *Alpheus Morton.*

2438. (To Sir *E. W. Hamilton.*) With regard to this extra remuneration, has Parliament given authority to spend the money in this way on these manuscripts?—Upon the Historical Manuscripts Commission, yes. The expenses of the Historical Manuscripts Commission are provided for under another Vote.

2439. And yet it is mentioned under this Vote; how is that?—Because part of the provision made for the Historical Manuscripts Commission was spent in employing these gentlemen in the Record Office.

On Vote 21.

Public Works Loan Commission.

Mr. *Arthur O'Connor.*

2440. (To Sir *E. W. Hamilton.*) Is there a different Treasury Minute every year with regard to this Local Loans Fund, and an apportionment of the expenses?—Yes, there is one every year.

2441. Could we have a copy of it?—Certainly

2442. Perhaps it might be put in?—Yes; I will see that it is put in.

On Vote 23.

Stationery and Printing.

Mr. Thomas Digby Pigott, C.B., called in; and Examined.

Mr. *Alpheus Morton.*

2443. Would you tell us who has the distribution of this 100*l.* for Parliamentary Papers for Free Libraries; who manages it, and what is done with it?—As a matter of fact the Controller of the Stationery Office has authority to supply any Parliamentary Papers of recent date which are applied for by the accredited agents of Free Libraries, as long as the 100*l.* voted is not exceeded. Up to the present that 100*l.* has never been reached.

2444. I see the expenditure here is only 15*l.* 8*s.* 10*d.*; you wait for applications to be made?—We merely give them if they are asked for.

2445. If they ask for them they get them up to 100*l.*?—Yes; the 100*l.* has never been reached yet.

2446. I do not think the Free Libraries know of it generally, do they?—The demands are very

Mr. *Alpheus Morton*—continued.

much more than they were a few years ago; still the 100*l.* is not nearly reached.

Mr. *Arthur O'Connor.*

2447. Do you send any to Ireland?—I think so, but I could not say offhand; if we are asked we do. We have never had occasion to refuse any application.

[Mr. *Pigott* withdrew.

On Vote 26.

Secret Service.

Mr. *Alpheus Morton.*

2448. (To Sir *C. L. Ryan.*) Do you see the certificates referred to in paragraph 1 of your Report on this Vote?—Yes.

APPROPRIATION ACCOUNTS.

On VOTE 28.

FISHERY BOARD FOR SCOTLAND.

Chairman.

2449. (To Sir *E. W. Hamilton.*) In the last sentence but one of paragraph 2 of the Comptroller and Auditor General's Report on this Vote, he states that the co-guarantor in the Brae Extension has presented a memorial to the Treasury to be relieved of past liabilities and future obligations, but the result of his petition has not been communicated to the Audit Office. Then the Comptroller and Auditor General goes on to say, "As regards the co-guarantor in the Hillswick Extension, I understand he has ignored the repeated applications of the Board for the payment of his guarantee." Will you be good enough to inform the Committee upon those points?—In the case of the Brae Extension, relief was refused to the co-guarantors, Messrs. Hay, and the matter now lies between the Fishery Board and those gentlemen who have been pressed, and still continue to be pressed, to pay. I am afraid that the efforts made to get the money have not as yet proved successful.

2450. Does that remark apply to the co-guarantor in the Hillswick case?—The co-guarantor in the Hillswick case was a gentleman of the name of Anderson; he did receive some relief in respect of some of the past years, but he is now again in arrear, and he has also been pressed to pay not only by the Fishery Board but also by the General Post Office.

2451. In the event of non-payment, what steps will the Treasury take?—I suppose legal proceedings will be taken.

2452. But the Treasury have not yet thought the time has arrived for legal action?—No; I think we should be guided by the Fishery Board and by the General Post Office; but no application has been made yet, so far as I know, for taking any legal steps.

2453. May the Committee understand that the Treasury will see that all measures are taken for recovering the money?—Certainly; all measures will be taken for recovering it. I should not like to commit the Treasury with regard to taking legal proceedings, because that is a matter in which we should be guided by legal advice.

2454. You would consult your legal advisers, of course, as to that?—We should.

Mr. *Arthur Williams.*

2455. What was the default in respect of which relief is asked for?—They had guaranteed, in concert with the Fishery Board, a sum of money to the Post Office for the extension of telegraphs, and they have not fulfilled that guarantee.

2456. Was it the cost of construction or of maintenance?—I think it was both.

2457. Is it in the nature of the usual guarantee which is exacted where you open a new telegraph?—I fancy it is on the same principle.

2458. I mean where you get your working capital out of your customers, in fact?—I am afraid I am not very well acquainted with the proceedings, but I think that is the case.

Mr. *Alpheus Morton.*

2459. One page 216 there are some remarks in the Report with regard to Store Accounts. It says, near the bottom of the page, "In reply to my inquiries as to the apparent absence of any system of store accounting in respect of the stores supplied to the above-mentioned vessels, I was informed that up to the present time no complete system of store accounting had been adopted." Has that been adopted now; it says it is under the consideration of the Treasury?—It is under the consideration of the Treasury, and I may amplify that by saying that one of the ships, the "Vigilant," is being replaced by a new vessel, and until that has been done it will be hardly possible to make the necessary arrangements. With regard to the "Garland," which is a much smaller vessel (so small, in fact, that store accounts could not be kept on board), an arrangement is being made whereby there will be established a head office system of checking the stores.

2460. But it is not established yet?—It is in course of being established. The actual arrangements are under consideration now at the Treasury.

2461. It has been under consideration for a very long time, has it not?—It is partly due to the fact that we were waiting for the replacement of this ship, the "Vigilant," by another vessel.

2462. You think it will be arranged soon?—I should think almost immediately. Indeed, I find it has been already settled as regards the "Garland;" the arrangements have been made.

Mr. *Arthur O'Connor.*

2463. I see under this Vote you have also a credit on account of the Local Loans Fund. I suppose that is with regard to loans to fishing harbours like Reawick and other places?—Yes, loans to small fishing harbours made through the Fishery Board.

2464. Why do you not have a similar credit in respect of the office of the Secretary for Scotland for all such loans, such as School Board loans, which are very numerous in Scotland; I do not see any similar credit under the office of the Secretary for Scotland?—I do not know that the Secretary for Scotland would have anything to do with the administration of the loans.

2465. They all come under the Local Loans Fund?—But I do not think the Secretary for Scotland has anything to do with their administration.

2466. Take the case of advances made by the Public

APPROPRIATION ACCOUNTS.

Vote 28.—Fishery Board for Scotland—*continued.*

Appropriation Accounts.

Vote 28.—Fishery Board for Scotland—*continued.*

Mr. *Arthur O'Connor*—continued.

Public Works Loans Commissioners to the School Board Commissioners, which are very numerous in Scotland; does not that come under the Local Loans Fund?—Yes.

2467. The loans are made direct by the Public Works Loans Commissioners in London?—Then the expense falls upon the Public Works Loans Commissioners. The expense in respect of all loans made directly by the Public Works Loans Commissions would be debited against the Public Works Loans Commissioners and to nobody else.

2468. I suppose your Treasury Minute may explain that; I will not pursue it now?—I think the Treasury Minute will make it quite clear.

On Vote 31.

Board of Supervision for Relief of the Poor, and for Public Health, Scotland.

Mr. *Alpheus Morton.*

2469. (To Sir *E. W. Hamilton.*) May I ask what is the meaning of these words in the Report of the Comptroller and Auditor General on this Vote: "The Accounting Officer has omitted to state that, under this Sub-Head, there have been paid as extra remuneration two annual allowances"?—He has omitted to make the note in his account.

2470. Then is it accounted for now; has it been put into the account since?—It is not in the account at all; it is merely a memorandum to say that these officers have received two extra allowances.

2471. It was not shown on the account?—What is meant is that special attention was not called to the fact.

2472. (To Sir *C. L. Ryan.*) Are you satisfied with that explanation?—It was only an omission, which I have rectified practically.

On Vote 33.

Chief Secretary for Ireland.

Chairman.

2473. (To Sir *E. W. Hamilton.*) In paragraph 2 of the Comptroller and Auditor General's Report on this Vote, in reference to the salary of Sir Thomas Brady, there is a question raised as to the Order in Council making

Appropriation Accounts.

Vote 33.—Chief Secretary for Ireland—*continued.*

Chairman—continued.

retirement compulsory at 65 years of age. In accordance with that Order in Council, Sir Thomas Brady should have ceased to hold office on the 31st December 1891. It appears that the payment has been made under special circumstances. I presume the Treasury are satisfied as to the propriety of what was done in that case?—Yes; that is explained in the Treasury letter on page 228. The contention was that as Sir Thomas Brady was an officer appointed under statute, the Order in Council did not apply to him. As the Committee will see by reference to the letter, he presented a Petition of Right, and judgment was given, and though he had ceased to hold office it will be seen that the Master of the Rolls and the Court of Appeal thought there was something in his contention, and that it was not wholly unreasonable.

Sir *John Hibbert.*

2474. Was it not the case that he took proceedings against the Government?—Yes, by Petition of Right.

2475. The Government continued to pay the salary beyond his attaining 65 years of age, and indeed up to the time when the case was decided?—That is so.

On Vote 35.

Local Government Board, Ireland.

Chairman.

2476. (To Sir *E. W. Hamilton.*) In paragraph 1 of the Comptroller and Auditor General's Report on this Vote a question has been raised which has been already dealt with in the First Report of this Committee?—Yes.

Mr. *Alpheus Morton.*

2477. I see there is a sum of 600*l.* or 700*l.* spent more than was granted, but they took it out of Appropriations in Aid; have you Parliamentary power to do that?—Yes; the matter was all fully gone into by the Committee before they made their First Report, before Easter. We presented a Supplementary Estimate, and an Excess Vote was taken.

2478. It is dealt with by a Supplementary Estimate, is it?—Yes.

On Votes 36 to 39.

No questions.

[The Witnesses withdrew.

Wednesday, 6th June 1894.

MEMBERS PRESENT:

Mr. Buchanan.	Mr. Arthur O'Connor.
Sir Arthur Hunter.	Mr. Philip Stanhope.
Sir John Hibbert.	Sir Richard Temple.
Mr. Alpheus Morton.	Mr. Webb.
Mr. Mowbray.	Mr. Arthur Williams.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1892–93.

Sir CHARLES LISTER RYAN, K.C.B., and Sir EDWARD W. HAMILTON, K.C.B., called in; and Examined.

GENERAL REPORT OF THE COMPTROLLER AND AUDITOR GENERAL.

Chairman.

2479. (To Sir *C. L. Ryan.*) THE consideration of your General Report, which forms a sort of preface to the Civil Service Appropriation Accounts, has been postponed for one or two sittings of the Committee in order that you might arrange certain points with the Treasury, which arrangements might save the time of the Committee. May I ask if you have succeeded in making those arrangements?—So far as I am concerned I am quite prepared that the Committee should go on to-day with the consideration of that Report.

2480. Would you state briefly what the points were that you hoped to settle?—The main point was this; it appeared to me that, looking at the great extension which has been given to the principle of Appropriations in Aid, it became a question whether distinct Parliamentary sanction should not be given, not merely to the general principle (that has been given by the Public Accounts and Charges Act, 1891), but also to the individual amounts apportioned, which now are only apportioned under the authority of the Treasury Minute. That was the main point which I raised. In order to meet that point the Treasury has had the subject under consideration; and I think perhaps Sir Edward Hamilton had better explain to you the proposal which the Treasury make. All I have to say with regard to it is that it having been made and submitted to me, I think it meets the object which I had in view in my General Report.

2481. (To Sir *E. W. Hamilton.*) Will you please state briefly to the Committee what the points are, and the opinion of the Treasury with regard to what the Comptroller and Auditor General has just said?—The Treasury, I think, do not admit that there is any absolute necessity

Chairman—continued.

for taking the line which the Comptroller and Auditor General suggests, but of course they fully admit the importance of the point which he has raised, and they have been very anxious also to be as far as possible prepared to meet his view should the Committee see fit to adopt it. With that object they have taken the matter into careful consideration. They have conferred informally with the Comptroller and Auditor General himself, and also with the authorities of the House, whose view of course is an important consideration; and, with the leave of the Committee, I will hand in a Paper this afternoon which would explain the way in which the Treasury think the suggestion made by the Comptroller and Auditor General, if the Committee should adopt it, might best be met. There is also a Paper from the Chairman of Ways and Means, who expresses an opinion from the point of view of the House of Commons. I do not know that I need say anything more, if the Committee would kindly take into consideration the Papers I hand in on behalf of the Treasury, as well as the communication received from the Chairman of Ways and Means by Mr. Milman.

2482. (To Sir *C. L. Ryan.*) Does the evidence just given satisfy you upon the two points mentioned in your paragraph 5 on the subject of Appropriations in Aid?—The proposal if adopted will quite satisfy what I had in view when this paragraph was written.

Mr. *Alpheus Morton.*

2483. (To Sir *E. W. Hamilton.*) With regard to the Expenditure in Excess mentioned in the first paragraph, have Supplementary Votes been taken?—Yes; those Excess Votes have already been dealt with by the Committee.

2484. (To

Appropriation Accounts.

General Report of the Comptroller and Auditor General—*continued.*

Mr. *Alpheus Morton*—continued.

2484. (To Sir *C. L. Ryan.*) In the 5th Subsection of paragraph 5, it appears that out of a gross estimate of 60,224,009*l.*, 51,928,995*l.* has been appropriated by the Appropriation Act, leaving a difference of 8,295,014*l.*, which has practically been spent without Parliamentary grant at all, has it not?—It has been appropriated from Appropriations in Aid.

2485. It is taken from the Appropriations in Aid, and we do not vote it?—You do not vote it.

Sir *John Hibbert.*

2486. But when the Vote is taken, the amount of the Appropriations is shown in each case?—That is so; but the Vote is voted net.

Mr. *Alpheus Morton.*

2487. (To Sir *E. W. Hamilton.*) Can you tell us why the change has been made?—It is rather a big question to go into.

2488. I am remembering that Sir William Harcourt opposed it in the last Parliament?—Of course there are arguments on both sides; but I think at that time Sir William Harcourt was not quite fully seized of the position of affairs; he did not know how far the system had already been carried out. What was done two or three years ago was simply applying to the Civil Service Votes what had been done for some years past in the Army and Navy Votes.

2489. Does not this tend to deceive honourable Members as to the amount they are voting in Parliament?—No, because Parliament is clearly informed on the Estimates as to what sums the Department proposes to take in aid of the Vote.

2490. We are asked sometimes to vote a sum of, say, 14*l.*, whereas the Vote really covers from 15,000*l.* to 20,000*l.*?—Yes. Parliament is then seized of the total amount which the Department proposes to spend.

2491. You have never heard a Member of Parliament call out in Committee, "It is only 14*l.* we are voting"?—No, I have not heard that.

2492. (To Sir *C. L. Ryan.*) Have you heard of that?—I have not heard of that. I know, the fact, of course, that it is only 14*l.* that is voted in the case you put.

2493. (To Sir *E. W. Hamilton.*) Though you have not heard it, would it not be likely to occur?—I do not think so. If the honourable Member studies the Estimate that is before him at the time, he would see that it was not 14*l.* that the Department was going to spend, but a very much larger sum.

2494. I quite admit that it does not affect my mind; but I am referring to the majority of Members?—I have never heard the point taken before by anybody.

2495. Surely the majority of the Members only look at the one item which they are asked to vote?—I cannot speak to that. I do not know the amount of investigation that honourable Members give to the Estimates that are put before them.

2496. You have never heard it stated that honourable Members say it is only 14*l.* that we are voting?—I have not.

Sir *John Hibbert.*

2497. There has been no extension in the system of Appropriations in Aid in the Estimates for the present year, has there?—No, not this year.

2498. The fullest information is given with respect to the whole expenditure when the Vote is taken even for so small a sum as 14*l.*, is it not?—Certainly.

Mr. *Alpheus Morton.*

2499. Why is this change made?—I am afraid I should have to refer the honourable Member to some very long memoranda which were submitted to the Public Accounts Committee some 12 or 13 years ago, in order that he might properly understand the reasons why this change was made.

2500. Are you aware that it has never been admitted by Parliament?—I am certainly not aware of that. Parliament has accepted it for some years.

2501. Not in this shape, has it?—Certainly.

2502. I understood you to say that it has been altered in the last few years?—It was adopted in 1882, I think, when it was first applied to the Army and Navy Votes.

2503. Has the Comptroller and Auditor General been objecting to it every year since then?—He has never objected to it; it has been entirely in accordance with his own view.

2504. (To Sir *C. L. Ryan.*) Then what is the meaning of this note in your Report?—The meaning of the note is this: In the Estimates of the present year there has been no extension, but in the Estimates for the year with which this Report deals, there was a very considerable extension of the practice to the Civil Services, and when that came to be the case, when Appropriations in Aid and Token Votes (because they are practically Token Votes) were multiplied, I thought it was desirable that Parliament should have its attention called to the fact, with the view, as I state in my Report, of considering whether it is not necessary to give some more formal and distinct Parliamentary sanction to the application of Appropriations in Aid by means of the Appropriation Act. That is the whole point.

2505. Until you wrote this Report, has Parliament's attention been called to the matter in any way?—Yes, the system has been recognised and sanctioned by the Public Accounts and Charges Act, 1891.

2506. But, as I understand, it has been extended within the last two years?—It is merely

Appropriation Accounts.

General Report of the Comptroller and Auditor General—*continued.*

Mr. *Alpheus Morton*—continued.

extended to a greater number of services. The principle has not been altered.

2507. Do you not think that it would be better for the information of honourable Members that they should be asked to Vote the actual sum that is wanted?—That is a question which I do not think I am in a position to answer. The alteration has been before this Committee on more than one occasion; it has been sanctioned by an Act of Parliament, and it is not for me to say that it would be desirable to reverse a practice of that kind.

2508. But I take it that, from your calling attention to it, you thought it necessary that Members of Parliament should know of it?—I thought it desirable that it should be considered whether a more formal sanction should not be given to the actual sums set apart by means of the Appropriation Act. It was not as regards the system, but as regards the particular sums; at present the sums are not recognised by Statute; they are in the Estimates, and they are shown clearly, and honourable Members have, if they choose to inform themselves, a full knowledge of what it is proposed to do. But the Appropriation Act does not recognise these particular sums; I think it should do so.

2509. Is it your proposal now that it should do so?—It was not for me to make the proposal; the proposal has been made by the Treasury.

2510. (To Sir *E. W. Hamilton.*) And that will be put in the Appropriation Bill this year, will it?—The proposal is subject to whatever the Public Accounts Committee may decide.

2511. (To Sir *C. L. Ryan.*) I still want to ask (for I know you try to give us all the information you can) whether it would not be better for honourable Members if they were asked, at once to vote the total sum?—I cannot answer that. It is not a fair question, I think, to put to me. I do not think I can answer for honourable Members. I can answer from what seems to me to be the constitutional point of view. I think, from the constitutional point of view, some greater authority for Public Expenditure is necessary than has hitherto been given, and a scheme is proposed by which Parliamentary sanction shall be given to the actual sums themselves which are going to be appropriated. If that is done I think the constitutional point is met. That is all I have to say.

2512. Do you not think it would be a clearer practice if each Vote was taken for the actual sum to be expended?—If it is actually shown in the Schedule, as is proposed now, I cannot see that there would be any want of clearness.

2513. Do you not think it is possible that honourable Members may think it is only the smaller sum that they are voting?—Again I must say I cannot answer for what honourable Members may think.

Appropriation Accounts.

General Report of the Comptroller and Auditor General—*continued.*

Sir *John Hibbert.*

2514. As I understand, your object in drawing attention to it was not to object to the system of Appropriations in Aid, but merely that some formal and distinct Parliamentary sanction should be given?—Yes, that some formal and distinct Parliamentary sanction should he given to the sums appropriated.

2515. The plan suggested by the Treasury meets with your approval?—It does.

Mr. *Arthur O'Connor.*

2516. I do not know whether you have seen this Memorandum from Mr. Milman which has been handed in. If you have, we might, perhaps, obtain from you some expression of opinion, from your point of view, upon it?—I have seen it; I received it this morning.

2517. If you have had sufficient time to consider it, could you tell us whether the suggestion made in it would, if carried out, meet your requirements?—I think it would. This Memorandum is upon the Treasury proposal.

2518. Then it remains to consider it only from the House of Commons point of view?—Yes.

Class III.

Law and Justice.

On Vote 1.

Law Charges, England.

Chairman.

2519. (To Sir *E. W. Hamilton.*) In paragraph 2 of his Report upon this Vote, the Comptroller and Auditor General says, as regards the inclusion in Schedule B. of the Order in Council of the 4th June 1870 of the situations of clerks and messengers paid from lump sums granted to heads of Departments, he assumes, from paragraph 21 of the Treasury Minute of the 6th December 1893, that steps have now been taken to include such situations in that Schedule; is that understanding correct?—No actual steps have as yet been taken to include in Schedule B. of the Order in Council of 4th June 1870 clerks and messengers paid from lump sums. The Treasury, as was explained last year, have always been aderse to the inclusion of those clerks and messengers, on the ground that placing them in the Schedule might, perhaps, give the appearance of their being Civil servants; but I think I may say that, in deference to the view expressed by the Comptroller and Auditor General, and, I believe, the wish intimated by the Public Accounts Committee last year, the Treasury will be prepared to make the inclusion if the Committee see fit to recommend it.

2520. May I ask whether the phrase "paid from lump sums granted to heads of Departments" implies that these particular clerks are on the temporary establishment?—A certain sum

is

Appropriation Accounts.

Vote 1.—Law Charges, England—*continued.*

Chairman—continued.

is given to the Solicitor to the Treasury to employ whom he pleases. That was done partly on the recommendation of a Departmental Committee, which inquired into the whole question, and which thought that, on the whole, that was the best mode by which the work could be done.

2521. Then, apparently, you wish to differentiate the gentlemen so employed from those on the regular establishment of the Civil Service?—To make it clear that they are in no sense Civil servants.

2522. If they are included in Schedule B., does not that externally alter their status?—I admit there are certain people in Schedule B. who are not entitled to pensions, and so forth; but we thought, on the whole, it was better to keep them quite clear of all Orders in Council. But the Treasury, as I say, will not raise any objection to it if the Committee think fit to recommend that the inclusion should be made.

Sir *Arthur Hayter.*

2523. On the whole, the Treasury have decided it is best not to include them?—On the whole, they think it is best not to include them.

Mr. *Mowbray.*

2524. (To Sir *C. L. Ryan.*) On this Vote it appears the Appropriation in Aid realised in excess of Estimate 67*l.* 4*s.*; I do not want to go into this Vote in particular, but I should like to have a general statement; is it the case that when Appropriations in Aid realise a larger amount than was put down on the Estimates, that surplus is surrendered to the Exchequer, and is not applied to the Votes?—The rule laid down by the Treasury Minute, which, if my proposal is carried out, will be confirmed by Act of Parliament, is that no sum in excess of that shown upon the Estimate can be applied from the Appropriations in Aid; and, therefore, if excess sums are received they have to be surrendered.

2525. That, I understand, will be the case under the proposed recommendation of the Treasury, which has been handed in to-day?—That is the rule now under Treasury Minute, but it is at present only under Treasury Minute; and that seemed to me one amongst other reasons why there should be the force of law against the appropriation of any sum in excess of those stated upon the Estimate.

2526. At present under Treasury Minute those excesses are surrendered to the Exchequer, and not used in any way to increase the amount of the grant?—In the course of last year's Appropriation Account one or two Departments did not quite understand what the ruling was, but in each case of that kind I stated that Appropriations in Aid were improperly used, and the Excess Vote which was taken was taken minus the Appropriations in Aid, that is to say, for the full sum of the excess upon the expenditure.

2527. These particular cases are dealt with, I

Appropriation Accounts.

Vote 1.—Law Charges, England—*continued.*

Mr. *Mowbray*—continued.

understand?—You have already dealt with them upon that principle.

Mr. *Webb.*

2528. (To Sir *E. W. Hamilton.*) What do the public gain through these clerks and messengers, referred to in paragraph 2, not being Civil servants?—They will not be entitled to pensions, for instance. They are entirely servants, so to speak, of the Solicitor to the Treasury himself.

2529. So far as you know, is there anything in their position, or any reason why they should not have pensions like the others?—It was thought this was the best way by which the work could be done.

2530. That is to say, that the heads of Departments should take on men, employ them, and dismiss them again as they thought well?—That would be within the power of the Solicitor to the Treasury under this arrangement.

2531. That is supposed to be the gain derived from the system?—The system was made specially applicable to the Legal Departments. Here, for instance, it was very difficult for the Solicitor to get the exact men he wanted. It was thought he would be much better suited if he were given a sum of money, and allowed to get his own men.

Mr. *Alpheus Morton.*

2532. You will notice that, on page 253, there is a sum of 2,745*l.* 6*s.* 5*d.* for expenditure on Criminal Prosecutions, and quasi Criminal Proceedings. I see by the note on page 254 that when you came to Parliament for a Supplementary Vote of 5,000*l.*, you stated, you were aware you wanted more money; is that not so?—Certainly; if a Supplementary Estimate is taken, of course it is an implication that more money is required.

2533. That is not the question I put. You state, on page 254, you were aware you would want 2,745*l.* 6*s.* 5*d.* more than the 5,000*l.* you asked for; is not that so?—It was not necessary to take the full amount, because there were savings on other sub-heads.

2534. Did you take means to tell Parliament that you were going to spend 2,000*l.* more?—Provided the whole Vote which Parliament has seen fit to sanction is not exceeded, neither the Treasury nor any other Department explains to Parliament any departure from the original details submitted to Parliament.

2535. Would not it be fairer to Parliament to say that you are asking you for a Supplementary Vote, and that you really wanted 2,745*l.* more?—I do not think so, because we are not asking for more than the actual sum mentioned in the Supplementary Estimate. The other is a sum Parliament has granted already.

2536. For something else?—For an analogous charge on the same Vote.

2537. There are a lot of different items here, are there not?—I thought I explained to the honourable Member about these excesses on a

Appropriation Accounts.

Vote 1.—Law Charges, England—*continued.*

Mr. *Alpheus Morton*—continued.

former occasion. It is only a modern practice to give even these details to Parliament.

2538. Still you are obliged to give them, are you not?—We do give them now for the information of Parliament. That is a mere matter of policy.

2539. Do you not think it would have been better when we were asked to vote 5,000*l.* as a Supplementary Estimate to, at any rate, tell us that there was 2,700*l.* more going to be spent on that item?—It would be possible to make a footnote; but of course at the time the Estimates are submitted the Department does not know to a few hundred pounds what it will actually spend. They might say probably, "We shall require somewhat more than we are asking for, but we shall not ask Parliament to grant more, because we have savings upon another sub-head." I do not think any good would be gained by the suggestion made by the honourable Member.

2540. Is it not stated on page 254 that you knew there would be a larger sum wanted, but you thought you could apply savings to meet it?—Yes.

2541. You knew you would want 7,500*l.* when you asked for 5,000*l.*?—I do not say 7,500*l.*, but a certain sum, more than was actually asked for.

2542. Would not it be better to let Parliament know the exact sum you wanted as near as may be, and not take it out of savings?—I think very often the more information we give to Parliament the more they require, because the further information very often misleads rather than helps in the useful discussion of these matters.

2543. Do you think it would mislead Members of Parliament to be told the actual sum you were going to spend?—I do not see how it would assist them very much. All Parliament is asked in the case of Supplementary Estimates is to vote the amount by which it is thought the total amount will be exceeded.

2544. Are you not aware that Parliament might be willing to vote 5,000*l.*, and might not be willing to vote 7,500*l.*?—Parliament was not asked to vote 7,500*l.*

2545. Then, why did you spend 2,700*l.* without asking Parliament?—Because Parliament had already authorised the spending of the 2,700*l.*

Chairman.

2546. You mean the authority of Parliament is asked for and given upon the whole Vote, and not upon the details?—Certainly.

Mr. *Alpheus Morton.*

2547. Where is that shown?—If the honourable Member will read the resolution which the House of Commons passes, he will see that it is a sum granted to defray the expenses generally of a particular service.

2548. I am aware of the resolution that is put to the House?—There are no details given whatever.

2549. The Estimate is put before us?—Yes.

Appropriation Accounts.

Vote 1.—Law Charges, England—*continued.*

Mr. *Alpheus Morton*—continued.

The Estimate contain many details which afford Parliament additional information.

2550. I want to know whether it would not be better to give that information to us correctly, or else not at all?—It is given correctly. In the case of a Supplementary Estimate the amount asked for is the amount by which the Department thinks it will exceed its Vote.

Chairman.

2551. You mean to say that you give the information as correctly as you possibly can at the time?—That is so.

2552. Without pledging yourselves to its absolute accuracy?—That is so.

Mr. *Alpheus Morton.*

2553. That is not so with regard to this item, because you asked for 5,000*l.* and wanted 7,500*l.*?—No; we did not want 7,500*l.*, because there was already unspent upon the Vote 2,500*l.*

2554. Not on that item?—Not on that item. If the savings would have covered this additional expense under the head of Criminal Prosecutions, no Supplementary Vote would have been submitted at all.

2555. Do you say in the expenditure you are not bound by these items at all?—I do not hold that the Department is bound by the items. When it cannot keep the expense on one item within what was submitted to Parliament it has to come to the Treasury to explain the reasons why it has not been able to do so, and ask leave to apply a surplus under one sub-head to meet a deficit on another sub-head.

2556. Has Treasury sanction been given to this?—Yes.

2557. In writing?—Yes.

2558. Then you are bound by the item?—The Treasury is not bound by the item.

2559. The Department is, is it not?—So far that it cannot exceed its item without coming to the Treasury, but it is in this respect independent of Parliament.

2560. Why should not Parliament have as full information as the Treasury?—I think there were about 400 excesses on sub-heads this year upon various Votes; I do not know whether Parliament would like to be troubled to that extent. That is the only alternative to the present system that I can see; that is, that about 500 additional Supplementary Estimates should be submitted to Parliament.

2561. I should not propose to trouble about the very small sums, but I am speaking of a large amount of 2,500*l.*?—That is relatively small upon the whole amount of the Vote.

Sir *John Hibbert.*

2562. It is impossible, is it not, when the Estimates are prepared and sent in to the Treasury, to know the exact sum you will require?—Certainly.

2563. Therefore, though you spend 7,500*l.* before the year is out, you do not know when the Estimates

APPROPRIATION ACCOUNTS.

Vote 1.—Law Charges, England—*continued.*

Sir *John Hibbert*—continued.

Estimates are prepared that so large a sum will be required?—That was the case in this Vote.

2564. Therefore there was no intention to mislead Parliament or mislead anybody in spending the 7,500*l.*, although you only took a Vote for 5,000*l.*?—Certainly not.

Mr. *Arthur Williams.*

2565. As a matter of fact, when the Estimates were prepared, 20,000*l.* was put down as being as near an estimate as you could form of what you thought would be necessary to cover the expense of that particular item?—That is so.

2566. Of course, when you came to the spending of the 20,000*l.*, you did not know, or the Director of Prosecutions did not know, that the Queen would have to prosecute Neill or to prosecute Cailes and others?—Quite so.

2567. Even when you came to Parliament for a Supplementary Vote you knew you should exceed the 20,000*l.*, but you did not know the exact amount that would have to be spent?—Not the exact amount.

2568. Then the Supplementary Estimate was a mere estimate as to what would probably be necessary?—A mere estimate.

2569. That did not cover the whole, but your savings from other sources made you come to the Treasury for permission to apply the savings in order to cover what was wanted?—The honourable Member states the case quite correctly.

Mr. *Alpheus Morton.*

2570. In the case of this 2,700*l.*, do you not state on page 254 of the Appropriation Accounts distinctly that you did know you would want it?—That is not an estimate; it is an explanation of the Account; after the Accounting Officer has made up his Account for the year, it is an explanation of how that particular sub-head is exceeded. This actual information, which the Solicitor of the Treasury was able to prepare months after the Estimate, was not available at that moment.

2571. You have been just asked whether when the 5,000*l.* was asked for you knew it would be exceeded?—Yes.

2572. Did you know it?—It is an estimate; we expected it to be exceeded.

2573. Are the words printed here correct: "These expenses" (which refers, I take it, to the 2,700*l.* which is set out in the line above in respect of the Queen *v.* Neill, and the Queen *v.* Cailes, and others) "were, however, within the cognisance of the Department when the Supplementary Estimate (5,000*l.*) was made;" is that correct?—I presume it is.

2574. Then it was known that the 2,700*l.* was wanted?—A sum of that kind; not actually 2,500*l.*; it might have been 3,700*l.* or 4,700*l.*; as a matter of fact, it is 3,700*l.*

2575. Do not the words "these expenses" refer to the item just above?—The Solicitor to the Treasury meant that at that time he believed there would be a saving of about the amount of 2,700*l.* upon other sub-heads, and therefore he

APPROPRIATION ACCOUNTS.

Vote 1.—Law Charges, England—*continued.*

Mr. *Alpheus Morton*—continued.

should not require to come to Parliament and ask for a larger sum which would be in excess of his needs.

Mr. *Arthur Williams.*

2576. Is it not fair to say that the words "within the cognisance of the Department" do not mean that they knew the exact amount?—These items were only known subsequently to the time when the Estimate was presented to Parliament.

Mr. *Alpheus Morton.*

2577. What is the meaning of the words "these expenses"?—The expenses incurred in respect of those services.

2578. Does not that refer to the two items above it?—Not the actual sums. It was known that certain expenses would be incurred, but not the actual sums.

2579. It was known it would be beyond the 5,000*l.*?—Certainly beyond 5,000*l.*

On VOTE 2.

MISCELLANEOUS LEGAL EXPENSES.

Mr. *Alpheus Morton.*

2580. (To Sir *E. W. Hamilton.*) What is the meaning of "Irrecoverable Extradition Expenses," which is mentioned at page 259 of the Appropriation Accounts?—I think it is explained in the Report of the Comptroller and Auditor General.

On VOTE 3.

SUPREME COURT OF JUDICATURE.

Chairman.

2581. (To Sir *E. W. Hamilton.*) At the end of paragraph 2 of the Comptroller and Auditor General's Report upon this Vote, it appears that reference was made by the Treasury to the Lord Chancellor as to "whether it might not be possible to make all new appointments conditional on an undertaking by the appointee to submit himself to any rules affecting tenure of office or conditions of employment which may be hereafter made applicable to his Department." May I ask, have you received any reply on that subject?—There has been a reply from the Lord Chancellor to the effect that he "has no objection to make any new appointment which lies with him, subject to any future regulations which may be laid down under authority to be conferred by statute; but that he cannot ask other persons who have statutory rights of appointment to limit their powers in the same way." The Committee are, no doubt aware that this question addressed to the Lord Chancellor was only to meet a temporary state of things. A Bill was introduced into the House of Lords last

Appropriation Accounts.

Vote 3.—Supreme Court of Judicature—*cont^d.*

Chairman—continued.

year to give the Lord Chancellor power to make rules which would have subjected officers in the Legal Departments to the same Orders in Council which regulate the Civil Service; but the Bill unfortunately was not passed in the House of Commons. However, I believe it is on the point of being introduced into the House of Commons this year.

Mr. *Alpheus Morton.*

2582. (To Sir *C. L. Ryan.*) I suppose the Appropriations in Aid mentioned on page 263 are surrendered in the way you mentioned just now?—Yes.

Mr. *Arthur O'Connor.*

2583. (To Sir *E. W. Hamilton.*) With regard to the Bill you have just mentioned, is it to be introduced first into the House of Commons?—This year it is to be introduced first in the House of Commons.

2584. Why not in the House of Lords?—I am afraid that is beyond my knowledge.

On Vote 5.

County Courts.

Chairman.

2585. (To Sir *E. W. Hamilton.*) In paragraph 3 of his Report upon this Vote, the Comptroller and Auditor General remarks upon certain payments made to Sir G. Sherston Baker and to Mr. Fraser while acting as deputy judges of county courts for a short period during vacancies, those payments having been transferred from the Consolidated Fund to the Vote. The Comptroller and Auditor General goes on to say that "The practice hitherto has been, so far as I am aware, to charge on the Consolidated Fund the remuneration of deputies acting during vacancies caused by the death or resignation of county court judges, and only to charge such remuneration to the County Court Vote in exceptional cases of illness or unavoidable absence of judges, *i.e.*, when there is no actual vacancy." Does the Treasury concur in the view taken by the Comptroller and Auditor General regarding the practice, and does the Treasury consider that there were exceptional causes in this case?—The Comptroller and Auditor General is quite correct in stating what the former practice was. The Treasury altered it deliberately, thinking it was better to transfer the charge from the Consolidated Fund to the County Court Vote. That

Appropriation Accounts.

Vote 5.—County Courts—*continued.*

Chairman—continued.

practice was changed in order that the rule might be followed, under which a Special Commissioner travelling on assize in place of a Judge of the High Court is paid from the Supreme Court Vote, and not from the Consolidated Fund. It will be observed that these gentlemen who were paid in this way out of the County Court Vote and not out of the Consolidated Fund, were not judges, but temporary substitutes; and since then a special provision has been made in this Vote (it was made in 1893–94, and likewise in this year) to meet the contingency of a payment to a deputy judge.

2586. (To Sir *C. L. Ryan.*) Do you desire to make any remark upon what Sir Edward Hamilton has stated?—I merely noted the facts, because there was no provision in the Estimate for that year. If provision is made in a subsequent year, I have no objection to offer to the change of practice.

2587. You do not think there is anything objectionable in the way in which Sir G. Sherston Baker's case was treated?—I do not think there is any objection to it, if it is admitted that it is a change of practice, and provision is made on the Vote in accordance with it.

Mr. *Arthur Williams.*

2588. Was there no head in the Estimates under which that would come?—There was no provision in the Estimates for the year in which this change was made, but if the provision is made in future, I think there will be no objection.

2589. You draw attention to the fact that there is no Estimate before Parliament, and no indication that such a sum would be applied out of the Estimates for the purpose?—That is so.

Mr. *Alpheus Morton.*

2590. (To Sir *E. W. Hamilton.*) I see there is a gross excess of 6,823*l.* 15*s.* 8*d.*; have you had the sanction of Parliament for that yet?—Yes; the Committee dealt with that before Easter.

Mr. *Arthur O'Connor.*

2591. If a barrister acting as deputy county judge was in the course of the year appointed a county court judge, would you, under the new rule, charge part of his salary for the financial year to the Vote and part to the Consolidated Fund?—I am afraid I cannot answer that question with any certainty without some reference to the superintendent of county courts. He is here, and would no doubt answer the question.

Mr. Alfred Pike, called in; and Examined.

Mr. *Arthur O'Connor.*

2592. You are the Accounting Officer for this Vote?—I am.

2593. If a deputy county court judge is in the course of the year appointed a judge, would

Mr. *Arthur O'Connor*—continued.

you charge his salary partly to the Vote in that financial year, or would it be charged entirely in that financial year to the Consolidated Fund?—The part of the salary due up to the time of his appointment

6 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Pike. [*Continued.*

Appropriation Accounts.

Vote 5.—County Courts—*continued.*

Mr. *Arthur O'Connor*—continued.

appointment as judge would be paid out of the Vote; the rest would be paid from the Consolidated Fund.

2594. Are you concerned with the charge against the Consolidated Fund; have you to render any account of that?—No, we have not.

2595. (To Sir *E. W. Hamilton.*) You know the reasons why the charge for all the judges is put upon the Consolidated Fund?—Certainly.

2596. With regard to your new rule, do not those reasons apply with equal force to a deputy judge as to a fully constituted judge?—The reason why the practice was changed was, that it might follow the practice in the Supreme Court.

2597. With regard to Commissioners?—Yes.

2598. But they are on a slightly different footing, I think. They are added to the Commissioners for special purposes, but they are not deputies?—That is the case, no doubt.

2599. But this is a case of a deputy judge acting with all the authority of a judge?—But they are temporary substitutes.

2600. That has nothing to do with it. The jurisdiction is the same, is it not?—Yes.

[Mr. *Pike* withdrew.

On Vote 6.

Police Courts, London and Sheerness.

Mr. George H. Tripp, called in; and Examined.

Chairman.

2601. In paragraph 2 of the Report of the Comptroller and Auditor General upon this Vote, he says that a considerable number of the officials at the police courts receive payments for supplying copies of depositions to prosecutors and others, and that certain of the officers at the Greenwich and Woolwich Police Courts also receive remuneration, amounting to 64*l.*, for inquiries under the Merchant Shipping Act. The Audit Department, apparently, is unable to trace these last-named payments in the Mercantile Marine Fund Account; at all events, the Comptroller and Auditor General has inquired under what statutory authority the police court officials are entitled to retain these fees in addition to their salaries, but no reply had been received at the date of the Report; what would you desire to say upon that point?—Replies to the two letters referred to in paragraph 2 were forwarded to the Comptroller and Auditor General on the 31st of January and the 8th of February respectively. The work connected with Merchant Shipping Act inquiries is not held to form part of the ordinary duty of the clerk of the court and the usher, but is performed by them in their own time, and, consequently, they have been permitted to retain for their own use the allowances made by the Wreck Commissioner and the Board of Trade. There is certainly no express statutory authority, but there is no statutory prohibition. As regards the copying of depositions, that work also is done out of official hours, and here, again, there is no statutory authority; but for the last 50 years or more the clerks have been permitted by the magistrates and successive Secretaries of State to retain the fees received for this duty. I may add that arrangements are now under consideration for the revision of the salaries of the clerks; and part of the scheme is that the profit arising from this source shall be surrendered to the Exchequer in the event of the salaries being revised.

2602. Then do we understand that you regard this copying of depositions as something entirely outside the ordinary duties of those officials?—Yes. Prosecutors and others, with the exception of prisoners, have no statutory claim to be furnished with copies of depositions.

2603. But are these prosecutors and others more or less brought into contact with these officials in the official course of business?—It would be so to a certain extent.

2604. Would there be no objection to the officials of police courts having these private transactions with persons with whom they have public relations?—It is an ordinary matter of business, and there is a recognised scale of charge. A prosecutor asks to be furnished with copies of the depositions, and the clerk performs the duty, and receives remuneration upon a recognised tariff.

2605. Who fixes the scale of charges?—I fear I cannot answer that question. It has been in existence for many years.

2606. It has been fixed a long time ago?—I believe so.

Sir *John Hibbert.*

2607. Has it been approved by the Home Office?—Yes.

Sir *Arthur Hayter.*

2608. Under the revised system of salaries will these fees cease?—The proposal which is now before the Home Office and the Treasury is, that the clerk shall no longer receive the fee for himself, but shall surrender it to the Exchequer.

Appropriation Accounts.

Vote 6.—Police Courts, London and Sheerness —*continued.*

Mr. *Buchanan.*

2609. (To Sir *C. L. Ryan.*) Have you received replies to the communications referred to in paragraph 2?—Yes, I have received the replies since.

2610. Are they satisfactory to your mind?—To a certain extent; the question is still under consideration, and, I think, in a matter of this sort, I should probably be guided by whatever decision the Secretary of State comes to on full consideration of the subject.

Mr. *Arthur Williams.*

2611. (To Mr. *Tripp.*) There is a recognised scale of fees for copying depositions taken by the magistrate, is there not?—Yes; it is not a fee included in the table of fees made by the Secretary of State, but it is remuneration for overtime work by the clerk.

2612. It is so much a folio for copying, is it not; it is purely clerical work?—Yes; what I wanted to make clear is that it is not on the same footing as a fee that would be paid to a justices' clerk; it is not a fee in a table of fees made by the Secretary of State.

Mr. *Alpheus Morton.*

2613. (To Sir *C. L. Ryan.*) Do you consider this a proper system of dealing with public money?—I think that if the Secretary of State, after considering it, decides that it is proper, it would not rest with me to question it. I have asked his decision upon the matter. He is the proper authority for settling it.

2614. (To Mr. *Tripp.*) Do you think it wise that officials, in a court of justice especially, should be allowed to take fees from anybody?—My answer must be, that the matter is at present under the consideration of the Secretary of State with a view to changing the practice when the salaries of the clerks are revised.

2615. Why not change it now?—That is a matter upon which I cannot express an opinion.

2616. Are you not aware that it is a practice that has been condemned everywhere, especially in courts of justice?—I should imagine that that consideration may have been present to the mind of the Secretary of State in proposing to alter the system.

2617. How do you know that the Secretary of State has got the matter before him?—I know it in my official capacity.

2618. Can you give us any idea when we are likely to have his decision?—I fear I could not say.

2619. How long has he had it before him?—Without reference I cannot answer that question, but the whole question of the revision of the salaries of clerks of police courts has been carefully considered by the Consultative Committee under the Order in Council. Some months ago the Report of that Committee was forwarded to the Secretary of State, and it is now before the Secretary of State and the Treasury. Legislation will be required before effect can be given to it.

2620. Will legislation be required to stop the payment of these fees?—I could not say that legislation would be required to put an end to this practice.

2621. Without regard to this extensive alteration which you suggest, could not you put a stop to this practice of officers taking fees from anybody?—The practice has been in existence now for upwards of 50 years, and I understand the Secretary of State is only prepared to deal with it as part of a general scheme for altering the remuneration of the officers by whom these duties are performed.

2622. Is it not a bad practice?—The Secretary of State is considering whether it shall not be changed.

2623. From your experience is it not a bad practice?—It would not come before me, as responsible for the financial business of the office; I have not the means of forming an opinion.

2624. You have nothing to do with this fee system?—No.

2625. Must we apply to the Home Secretary?—The Home Secretary will no doubt afford any information if a question is put in the House.

2626. With regard to receipts at the Chatham and Sheerness police courts, which the Comptroller and Auditor General says are not paid by stamps, why have you not adopted the practice there of paying by stamps?—I fear I cannot give a reason for the difference in practice between the court of the metropolis, and those of the Chatham and Sheerness.

2627. It is said the fees are paid in cash?—That is so.

2628. Has not the practice of payment in cash been condemned everywhere in the public offices?—I think not. Many amounts are received in cash in the public offices at the present moment.

2629. Is it not the modern practice to receive all these fees in stamps at all the police courts, except those of Chatham and Sheerness?—In the metropolitan police courts they are collected by stamps. At Chatham and Sheerness another system is in force; but there is a complete and effective check.

2630. It does not say so in the Report of the Comptroller and Auditor General; was not the reason why the practice of using stamps was adopted, to have a better check upon the money?—I believe so. But the Treasury will be better able to answer that question.

2631. Have you anything to do with making the alteration in this case; supposing an alteration is advisable, whose business is it to make it?—The Secretary of State would be responsible, acting on advice tendered to him by the Department.

2632. Do you mean advice from you?—It might

6 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Tripp. [*Continued.*

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Vote 6.—Police Courts, London and Sheerness —*continued.*

Mr. *Alpheus Morton*—continued.

might come within my province. I may say I am only here as the representative of the Accounting Officer, who is unfortunately prevented by ill health from being present.

2633. Would it be his business to make a representation to the Home Secretary, if he thought it necessary?—Yes, should he consider it necessary. It would be my duty to represent it to him, if I thought it necessary from my experience in auditing the accounts at Chatham and Sheerness.

2634. Do you not think it necessary that the same check should be applied to these courts as to the others?—I think the present check devised by the Home Office and the Treasury answers all purposes.

2635. Has not the practice of paying these fees in cash been condemned?—I cannot answer that; possibly the representative of the Treasury might be able to say.

Mr. *Arthur O'Connor.*

2636. Did I rightly understand you to say, in reply to the Right honourable Member on my left (Sir John Hibbert), that the Home Secretary had approved of the fees for the copying of depositions?—I would rather put it in this way; with the permission of the magistrates and the Home Secretary, these fees have been charged for many years past.

2637. That is the same thing as I was asking; you tell us that the Home Secretary has approved of this payment?—Yes.

2638. I suppose if the Home Secretary, in regard to your Department, gave any direction or sanction, you would assume that it was certainly in accordance with the law, and would not question it?—What I wished to imply was not so much that formal approval had been given by the Secretary of State, as that the system had sprung up and continued under the cognizance of the Secretary of State, and without interference from his Department.

2639. You would assume that a thing done under the cognizance of the Home Office would be in accordance with the law?—Yes.

2640. (To Sir *C. L. Ryan.*) I suppose whatever recognition or sanction was given by the Home Office or the Treasury in regard to this matter, if you found it to be against the express terms of the law, you would report it for disallowance?—Certainly.

2641. Would you mind making an inquiry whether there is not a distinct statutory enactment (which applies to boroughs, and therefore to London, I presume, but does not extend to rural districts), that no person in the position of a clerk to magistrates shall have any concern or interest, direct or indirect with any prosecution. If you find that to be so, I presume it would be your duty to report all these charges for disallowance?—I will certainly look into the law of the case as stated by the honourable Member.

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Vote 6.—Police Courts, London and Sheerness —*continued.*

Mr. *Arthur O'Connor*—continued.

2642. (To Mr. *Tripp.*) That is the law, is it not?—I am not aware that the Act applies to the metropolitan police courts, which are regulated by a separate statute of the 2nd and 3rd of the Queen's reign.

Sir *John Hibbert.*

2643. I presume the prosecutors have the right to have copies of depositions supplied to them upon payment of a fee?—I could hardly say they have the right; they have no statutory claim to be furnished with them, but it has been the practice in the metropolitan police courts to furnish them in the interests of justice.

2644. The officials who prepare these copies, I presume, do not come into contact in any way with the prosecutors, do they?—I should think it possible they might come into contact with them, being officials of the court at which the prosecutors attend.

2645. What kind of officials are they who make these copies?—The chief clerk, the second clerk, the assistant clerk, and the usher, I believe, occasionally.

Mr. *Arthur Williams.*

2646. The table printed in the Appropriation Accounts gives the particulars, does it not?—Yes; the table of extra remuneration, on pages 270 to 272, gives the particulars.

Sir *John Hibbert.*

2647. With regard to the point about the fees being collected at Chatham and Sheerness in cash instead of stamps, it is done under regulations approved by the Treasury, is it not?—That is so.

2648. Therefore the system could not be altered without reconsideration by the Home Secretary, and also the approval of the Treasury?—Quite so.

Chairman.

2649. (To Sir *C. L. Ryan.*) Supposing you are able to look into the law upon the point suggested by Mr. O'Connor, and to come to some conclusion upon it, will you be able to give the Committee the benefit of your opinion before they make their Report?—I am afraid that would not be possible. It would be a question for reference to the legal advisers to ascertain exactly what the law is, and I would not undertake to give their opinion before the Committee report.

2650. How would you take legal advice?—I should refer the question first to my legal adviser, the barrister attached to the Audit Office.

2651. Perhaps you might be able to give us the benefit of your own conclusions on the matter?—I am afraid not, because the practice with regard to legal advice is this: If I, on looking at the question, came to the conclusion that there was a case to submit to my legal adviser, it would be drawn up in my Department and

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Chairman—continued.

submitted to him; then, if he gave an opinion, I could not act upon that opinion in a case affecting the Home Office without submitting it to them, and they would put it before the Law Officers of the Crown if they thought it of sufficient importance. Therefore there is a great deal that must take place before I could report.

On Vote 7.

Police, England and Wales.

Mr. *Alpheus Morton.*

2652. (To Mr. *Tripp.*) I see in the note on page 276 there is paid to Sir Edward Bradford 300*l.* for house rent beyond the amount voted by Parliament; who has got the power to give him that allowance after we have voted his salary?—The allowance is paid from the Metropolitan Police Fund.

2653. Have they got power to do that?—Yes. The account of the Metropolitan Police Fund is audited by the Comptroller and Auditor General, who would not pass any charge for which there was not legal authority.

2654. (To Sir *C. L. Ryan.*) It is only, as I understand, audited as an act of grace by you?—It is not audited under Act of Parliament.

2655. To take the item I am mentioning now, there is this 300*l.* allowance for house rent to Sir Edward Bradford beyond his salary; supposing that to be an illegal payment, have you any power to disallow it?—If it is an illegal payment, I should probably report it as an improper charge to the Police Account.

2656. Then we may take it that you consider it to be a legal charge?—Yes; under the Police Act the Secretary of State can certainly make the payment.

2657. Can they spend the money how they like, provided it is upon the police?—Within certain limits.

2658. They can increase the pay of the officers and men?—Yes, the power of the Secretary of State is almost absolute with regard to the police.

On Vote 9.

Reformatory and Industrial Schools, Great Britain.

Chairman.

2659. (To Mr. *Tripp.*) In the last sentence of paragraph 4 of the Comptroller and Auditor General's Report upon this Vote, he sa "Without wishing to make any recomm endati involving additional expenditure, I may observe that a satisfactory and independent test verification of the managers' returns appears in itself to be very desirable." Have you any observations to make upon that?—The Home Office is in complete accord with the Comptroller and Auditor General on this point, and the question of increasing the inspecting staff is at the present time under consideration.

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Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Chairman—continued.

2660. Do you know whether that question will be soon decided?—I should think it probable that it will be.

2661. In paragraph 5 you will observe what the Comptroller and Auditor General says, with regard to the earnings of the inmates of reformatory and industrial schools, that the weekly average is about 2*s.* 6*d.* per head; is that regarded as satisfactory?—I think the calculation includes casual employment for portions of the day, as well as employment for the whole day. The total amount of earnings in respect of employment for the whole day, and casual employment for part of the day, comes to 11,000*l.*, and the average earnings in certain cases amount to 2*s.* 6*d.* per head per week.

2662. Then with regard to the next sub-section of the paragraph, you observe that the Comptroller and Auditor General says that, in view of a correspondence which took place between the Home and Reformatory Offices in the year 1869, in which it was laid down that the full Treasury contribution was not to be paid in respect of children employed by private persons in the vicinity of the school "for a certain portion of the day" whose earnings exceeded 2*s.* 6*d.* a week, he inquired why no deduction had been made in these cases, and was informed by the Home Office that the reduction of the Government Grant was held to refer to "full timers" only. He therefore caused a copy of the correspondence to be transmitted to the Treasury, and requested to be informed whether their Lordships concurred in this view, and whether the term "certain portion of a day" was intended to mean the whole day of 24 hours, or, in other words, whether the amount of the Government contribution depended, not upon the amount earned, but upon the number of hours worked by the children; and he adds that their Lordships views on this question had not been communicated to him at the date of writing his Report. Are you acquainted with what the Treasury view is upon the point?—Since that Report was written the matter has been considered by the Treasury, who have approved the limitation laid down by the Secretary of State, that where children are employed outside the Reformatory and Industrial Schools for the whole day, then, irrespective of the amount earned, the Government Grant shall be reduced either to one-half or to 2*s.* 6*d.* per week, whichever is the greater. The old rule was that if the earnings exceeded 2*s.* 6*d.* per week, the grant would be reduced.

2663. (To

6 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Tripp. [*Continued.*

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Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Chairman—continued.

2663. (To Sir *E. W. Hamilton.*) Have you any remark to make upon this point?—I do not think I have anything to add. This new rule, to which Mr. Tripp has just referred, was submitted to the Treasury by the Secretary of State, and approved by the Treasury.

2664. (To Sir *C. L. Ryan.*) Have you any remark to make upon this point?—It is a new rule, and the working of it will be looked to in future.

2665. (To Mr. *Tripp.*) In paragraph 6, in regard to the Appropriations in Aid, and parental contributions, the Comptroller and Auditor General remarks that, notwithstanding the continued absence of legislation on the subject of parental contributions, the desirability of which was strongly urged in the 24th paragraph of the Second Report of the Public Accounts Committee of 1891, and in their Fourth Report of 1892, he deemed it his duty to apply a test examination to the receipts derived from parental contributions; and after remarking upon the obligation of the parents to contribute, he goes on to say, "the parent is then placed on the local agent's register, and failing payment the agent has to render to the Inspector of Reformatory and Industrial Schools, with his quarterly account, explanation of such default." He adds that he inquired whether in the case of a statement that the parent is unable to contribute towards the maintenance of the child, any steps are taken to verify it; and in reply he was informed that the sub-inspector does not practically inquire into the circumstances of the parents himself, and that a test of this kind would require the services of several inspectors. Have you any remark to make upon that?—I would explain that the collection of parental contributions is performed to a very large extent by the local police, and by the school boards. In these cases it has not been considered desirable to make a test of the kind proposed, the responsibility being left to the chief officers of police and to the school boards. But as regards the salaried agents of the Reformatory Office (who collect the contributions in the remaining cases) it certainly seems desirable that there should be a test of this kind. Such a test has been made on one or two occasions already, where there were special circumstances which seemed to call for it; and the Auditor General's remarks are being considered in connection with the point raised in the fourth paragraph, which involves the question of the sufficiency of the present inspecting staff.

2666. But the Department, I presume, duly recognises the importance of obtaining the utmost contributions possible from the parents?—Certainly.

2667. In paragraph 7 the Comptroller and Auditor General remarks that a large number of parents were in arrear; he then asked to be furnished with a list of arrears which had been outstanding; and, in reply, he was informed that

Appropriation Accounts.

Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Chairman—continued.

the preparation of such a return would occupy a considerable time; have you no list of arrears in the Department?—The books of the Department show the arrears outstanding, but each case is dealt with separately; and it would be a work of some time to extract the cases in which the payments are outstanding, and arrive at the total.

2668. May the Committee understand, from what the Comptroller and Auditor General says, that the arrears outstanding amount approximately to 40,000*l.*?—That is the estimate arrived at.

2669. Is that sum of 40,000*l.* relatively large or small, as compared with the amount collected?—The amount collected is about 20,000*l.* a year; it would therefore be equivalent to two years' collection.

2670. Is not that a considerable arrear?—It is; but it must be remembered that we are dealing with parents who belong to the very lowest class, and the practical difficulties in the way of collection are enormous.

2671. (To Sir *C. L. Ryan.*) What is your view now regarding this proposed return of parents in arrear, after what Mr. Tripp has said?—I think the sum of 40,000*l.* is certainly large enough to require a very careful looking over in order to see what part of it can or cannot be recovered. I do not consider it satisfactory that there should be an arrear to that amount.

2672. But as regards the obtaining of the return, do you still think that the Department should furnish you with such a return?—I thought it would be desirable to get, at all events, a return of the arrears within the year, some return which would enable me to do something. But I daresay I may be able, by local examination, to do something more without asking the Department to furnish me with a list.

2673. In the meantime you would not press for the return?—No.

Sir *Arthur Hayter.*

2674. (To Mr. *Tripp.*) Can you tell the Committee why the contributions from parents have dropped off so much as from 1*l.* 3*s.* per child in 1878 to 14*s.* 9*d.* in 1892?—I fear I can give no other reasons than the depression of trade, the condition of the labouring classes, and the difficulties experienced in obtaining legal process to enforce these arrears.

2675. Do you think there is less supervision over them now than there was formerly?—On the contrary, I think there is more supervision than there was.

2676. And yet the contributions have fallen off as much as that?—I think everything that can be done is done to collect these amounts, but it is a most difficult task. The chief clerk of the Reformatory Office, who is in attendance, can explain the practical difficulties if the honourable Member wishes.

2677. (To

6 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Tripp. [*Continued.*

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Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Mr. *Mowbray.*

2677. (To Sir *C. L. Ryan.*) Turning to paragraph 9 of your Report, what is the meaning of the figures which you have given there from a Parliamentary Paper [c. 7084, Session 1893]; how do they arise on the Appropriation Account?—It has been usual to give any information which shows the total amount of the grant, and so on, derived from any Parliamentary Paper. It is given by way of additional information. It is stated in the paragraph what the Parliamentary Paper is from which it is extracted.

2678. Do you do that in the case of any other Votes?—Yes; in all Votes where anything of that kind arises, it is always noted.

2679. For the purpose of comparison?—For the purpose of comparison and for the purposes of information.

Mr. *Buchanan.*

2680. (To Mr. *Tripp.*) With regard to the question that Sir Arthur Hayter asked you just now upon paragraph 7, as regards arrears, it is pointed out that the parental contributions have diminished from 1*l.* 3*s.* a child to 14*s.* 9*d.* in the case of industrial and reformatory schools, while, on the other hand, the contributions from parents have gone up in the case of day industrial schools from 9*s.* 8*d.* to 19*s.*; does not that rather point to the fact that there must be some fault in the way in which the contributions are collected in reformatory and industrial schools?—I think the figure with regard to the day industrial schools must be taken with some qualification. It is very difficult to institute a comparison between a day industrial school and an ordinary industrial school. The local committing authorities are careful to send to the day industrial schools the children of parents who are better able to pay. Moreover, that figure of 9*s.* 8*d.* is for the year 1879, which was one of the earliest years after the institution of the day industrial school system, and before it got into working order, and the returns from the local authorities for the earlier years, 1878 to 1881, were not, I think, quite accurate. In the year 1882 the average is 25*s.* per head; and if that is compared with the amount for 1892, the collection has fallen off from 25*s.* to 19*s.*; so that the same causes appear to be at work with regard to the two classes of schools.

2681. You say the comparison is not altogether accurate?—I fear that the information given by the Reformatory Department, which was the basis of the comparison, was not altogether accurate; investigation consequent upon this Report of the Comptroller and Auditor General has disclosed errors.

2682. Are you prepared to say that there has been a decline in the contributions in day industrial schools similar to that in reformatory schools?—Yes, if you start from the year 1882, there has been.

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Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Mr. *Buchanan*—continued.

2683. (To Sir *C. L. Ryan.*) Has that fact been brought under your notice?—No.

2684. As you took the figures with regard to the industrial schools in the earlier Report, so you took the figures with regard to the day industrial schools?—I took the figures as accurate; now it is stated they are not accurate; and if that is the case the comparison would fail, of course.

2685. (To Mr. *Tripp.*) Are you satisfied as to the method followed with regard to contributions in the case of reformatory schools?—So far as one can see, everything is done that can be done; but in view of the large amount of arrears, I think the matter does certainly call for careful consideration, to see if the existing machinery can be improved in any way.

2686. We were told last year that the Home Office had in view legislation upon the subject?—That is so.

2687. Is it still only in view?—Bills were introduced by the late Government, but were not passed into law; and I believe the present Government still have the subject in view.

Sir *John Hibbert.*

2688. The late late Government also had Bills, I believe?—Yes, the late late Government also contemplated legislation on the subject.

Mr. *Buchanan.*

2689. (To Sir *E. W. Hamilton.*) You were asked about this subject last year; can you give us any further information upon the subject?—The Treasury made a communication recently to the Home Office urging them to take some steps by pushing on the Bill, but I am not aware whether they have been able to make any progress.

2690. You are not aware that we are any further forward?—I am afraid not.

Mr. *Arthur Williams.*

2691. (To Mr. *Tripp.*) I understood you to say that the contributions from parents were about 20,000*l.* a year?—Yes.

2692. Does that 20,000*l.* a year represent the reformatory schools for the whole kingdom?—It represents the Reformatory and Industrial Schools for Great Britain. I see it is rather in excess of 20,000*l.*; the actual receipts for the year in question were 21,558*l.*

2693. You spoke of having made a local test examination in order to ascertain whether the parental contributions were properly collected?—Yes, to check the reports that are made by our agents; the object being to see that the agent is performing his duty properly.

2694. In how many cases was that test examination

6 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Tripp. [*Continued.*

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Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Mr. *Arthur Williams*—continued.

amination made?—It was made in only two cases.

2695. Can you give us the names of the cases?—It would be two provincial centres of collection; Birmingham was one; it was made there because the receipts had fallen off. At the moment I cannot give the name of the other centre.

2696. Were they in regard to two local reformatory schools?—No; in regard to two local agents. The Home Office has a separate agent in Birmingham responsible for all the parents residing in his district. The parents residing in Birmingham may be parents of children in half-a-dozen reformatory or industrial schools.

2697. (To Sir *C. L. Ryan.*) Does the Parliamentary Paper referred to in paragraph 9 show the total cost of the maintenance of all these institutions?—Yes, so far as I am able to give it.

2698. I want to understand what that means; does it mean including the State contribution and the local contribution?—So far as I have the information to give it, it does include the whole.

2699. So that we may take it that the whole of this system of industrial, reformatory, truant, and day industrial schools, including private contribution, local support, and State support, costs some 540,000*l.* a year?—Yes, as given in the Parliamentary Paper from which this is taken; I do not guarantee it; you will understand it.

Mr. *Philip Stanhope.*

2700. I see in your Report you speak of this large sum of 40,000*l.* of arrears, which amounts practically to two years parental contributions, and you say it excludes these claims in which all hope of recovery has been abandoned; have you in the course of your investigations found out for how many years those claims have been left open?—I have only got the information in a rough shape from the Department. I asked for detailed information, and I was told that it would cost a great deal of money to prepare it. I have therefore been obliged to satisfy myself with the statement that is quoted practically verbatim in my Report.

2701. It is obvious from the largeness of the sum that the arrears must go back a long time, probably for very many years?—I have no information that would enable me to answer that question.

Mr. *Webb.*

2702. (To Mr. *Tripp.*) Upon what amount is this 40,000*l.* default; what proportion does it represent of the total amount, supposing this 21,000*l.* had been in full each year during the period this extends over?—I did not make the calculation, and I could not answer the question.

2703. Is it 10 per cent. or 20 per cent.?—I fear it is a much larger proportion than that, but

Appropriation Accounts.

Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Mr. *Webb*—continued.

the matter has not been inquired into thoroughly. From the point of view of the Home Office, I may say we have been glad to get as much as we have done; the amount ordered by magistrate is frequently out of the power of the parent to pay.

2704. What proportion of these contributions is collected through the police, and what proportion through the reformatories; I understand that the reformatories collect some of it?—No; it is collected through the agents of the Home Office.

2705. Is none of it collected by the reformatories themselves?—None by the reformatories themselves. It is collected either by the police or the school boards acting as agents of the Home Office, and receiving commissions, or by the salaried officers of the State.

2706. Then is there a commission given, so that they are interested in the amount collected?—Yes, to the police and the school boards. It is 10 per cent., except in the case of a school board, where 20 per cent. is allowed.

Mr. *Alpheus Morton.*

2707. Why cannot you give the Comptroller and Auditor General the list of arrears which he refers to in paragraph 7?—Application was made to the Treasury to sanction the expenditure that would be required to make out such a list, and their Lordships suggested that possibly the Comptroller and Auditor General might be content with an approximate estimate; and this expression of the Treasury's opinion was communicated to the Comptroller and Auditor General, who, I believe, was willing to accept for the time being an approximate estimate.

2708. Are there no clerks in the office who could give a list of these arrears?—The clerks in the office are very fully employed, and it would have been necessary either to increase the staff or keep the clerks working overtime for a considerable period, because the number of cases is very large.

2709. Do you mean to say that there is nobody in the office who keeps these accounts who could give the list, and that you would be obliged to get it from outside assistance?—The staff is so fully occupied that it would not be possible to do the work within the limits of the ordinary official day.

2710. This 40,000*l.* covers, does it not, about two years' fees?—I was asked what proportion it bore to the total amount of contribution; I said it represented an amount equal to two years contribution; I merely gave that as an indication.

2711. It represents about two years' fees, rather less, does it not?—Yes; roughly speaking it is equal to the amount collected in two years.

Mr. *Webb.*

2712. It is not a default on two years alone?—Not at all.

 2713. But

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Vote 9.—Reformatory and Industrial Schools, Great Britain—*continued.*

Mr. *Alpheus Morton.*

2713. But it is about the amount of two years' fees?—Yes.

2714. Considering you are in arrear as much as 40,000*l.*, do you think it is likely you will ever get this?—No. I fear a large part of this 40,000*l.* is irrecoverable, but it has not yet been written off as a bad debt.

2715. I suppose the police have no means of recovering the arrears unless the people have got any goods?—Quite so; if you carry it further you simply send them to prison, and there is no pecuniary result.

2716. I suppose in the majority of these cases the people have nothing to take?—In a large proportion of these cases the people have only enough furniture to put on a hand barrow and remove to another part of the town or to another town.

2717. It is hopeless to get the money in any case?—It is hopeless to expect to get any considerable portion of it, I fear.

Sir *John Hibbert.*

2718. Does not the difference of the amount received by the reformatories and industrial schools, and the amount received by the day industrial schools, rather suggest that the State is a bad authority to manage these matters in comparison with the local authorities; the local authorities receive much more from the day industrial schools than the State does from the reformatories and industrial schools, do they not?—I think I am correct in saying that many of the children in the day industrial schools come from a better class socially than the children in reformatory and ordinary industrial schools, and there would be, consequently, a larger amount collected.

2719. But it must naturally be the case, must it not, that the local authority can look after these payments much better than the State can?—That was the view that was taken by the Home Office and embodied in the Bill to which reference has been made.

2720. With respect to the falling off which has been referred to by the Comptroller and Auditor General in the amount of parental contributions, would not that, to a certain extent, depend upon the amounts which the magistrates, in dealing with the cases, required the parents to pay?—I think these figures represent the total receipts divided by the number of children under detention; if that be so, the amount which the magistrate ordered, but which could not be collected, would not enter into the calculation.

2721. Of course, if the magistrate ordered less money to be paid there would be less to receive from the parent?—Yes, it would affect it in that way, certainly.

2722. Do you know whether, of late years, it is not the case that magistrates have really required smaller sums to be paid than they did formerly?—I think that is so to a certain extent.

2723. Is it the case in Scotland, particularly that very small sums are charged to the parents in comparison with the sums charged in England?—I think I ought to say that the Home Office is generally responsible for these accounts, but that the immediate responsibility rests with the Reformatory Office, which is a sub-Department of the Home Office. The chief clerk of the Reformatory Office would be far better able than myself to answer the Right honourable Gentleman's questions.

[Mr. *Tripp* withdrew.

On Vote 10.

Broadmoor Criminal Lunatic Asylum.

Mr. *Alpheus Morton.*

2724. (To Sir *E. W. Hamilton.*) Can you tell me anything about this Farm and Garden Account printed at page 296 of the Appropriation Account?—Probably the Comptroller and Auditor General can tell you more about it than I can.

2725. (To Sir *C. L. Ryan.*) You say in paragraph 2 of your Report, on page 298, that the Farm and Garden Statements have been tested as far as possible?—Yes, so far as mere accounts will test a farm account of this sort.

2726. Who has got the control of it?—Dr. Nicolson is the responsible officer.

2727. Is he checked in any way by anybody?—I think in the matter of accounts he is only checked by the Audit Office.

2728. I presume you only look at the books?—We only look at the books, of course, both at my office, and also locally. It so happens I went over to Broadmoor myself about a fortnight or three weeks ago, and inspected the accounts there.

2729. Is there anybody besides Dr. Nicolson to judge whether these are fair prices or not?—That must be left to him.

2730. Nobody checks it?—Not that I know of.

Sir *John Hibbert.*

2731. Do not the visitors of Broadmoor Criminal Lunatic Asylum look into this matter?—I do not think they would look into the details of the farm as to the prices that he obtains, and so on; those would rather be matters for the bailiff. But, of course, there are the visitors.

Mr. *Alpheus Morton.*

2732. So far as you know there is nobody who looks into it to see whether the prices are fair?—There is no external authority that I know that does it. I cannot say for certain, for instance, that the visitors do not; it is possible that they do.

2733. (To

Appropriation Accounts.

Vote 10.—Broadmoor Criminal Lunatic Asylum—*continued.*

Mr. *Alpheus Morton*—continued.

2733. (To Sir *E. W. Hamilton.*) I understand Dr. Nicolson is the Accounting Officer for this Vote, but he is not here?—It is not usual to summon Dr. Nicolson, up from Broadmoor unless some special question arises.

On Vote 11.

Law Charges and Courts of Law, Scotland.

Chairman.

2734. (To Sir *E. W. Hamilton.*) In paragraph 3 of the Comptroller and Auditor General's Report on this Vote respecting the question of age limit, he takes note that the Treasury, in their Minute of the 6th December 1893, state "that they have forwarded to the Queen's and Lord Treasurer's Remembrancer a copy of their letter to the Lord Chancellor, which is referred to in my Report on the Vote for the Supreme Court, England." Have you any remark to make upon the question of the age limit with regard to the Courts of Law, Scotland, Vote?—The idea was that after the Lord Chancellor had obtained the requisite legislative power in this country, similar steps should be taken for Scotland and Ireland. But I may add that in the meanwhile, in the absence of any legislative powers, effect has been given to a limited extent to the recommendations made by the Committee of last year, because in appointing new officers the principle laid down in the Order in Council of 15th August 1890 has been applied.

2735. (To Sir *C. L. Ryan.*) Have you any further remarks to make now with regard to this point?—No.

Mr. *Alpheus Morton.*

2736. (To Sir *E. W. Hamilton.*) With regard to the heading on page 301, "Extra Remuneration," can you tell me whether the Lord Advocate is legally entitled to extra fees?—I think he is certainly entitled to fees in respect of contentious business.

2737. It has been stated, surely, has it not, as a reason for increasing the salaries of the Law Officers of the Crown, that they did not get any fees for contentious business?—The arrangement till lately has been that they got a fixed salary for non-contentious business, but not for contentious business. I think that is the case.

2738. (To Sir *C. L. Ryan.*) Are you aware whether it is legal in Scotland to give the Law Officers extra fees at all beyond the salary?—So far as I know this is regular, but I cannot answer beyond that.

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On Vote 12.

Register House, Edinburgh.

Mr. *Buchanan.*

2739. (To Sir *C. L. Ryan.*) I observe that the extra receipts under this Vote amount to more than the total amount of the Vote; is there anything to prevent the Treasury agreeing to treat the whole of the extra receipts as Appropriations in Aid, and so do away with the Vote altogether?—Provided they took a token Vote, in order to bring the expenditure under the cognizance of Parliament they could do so.

2740. They are bound to keep the Vote, are they?—It would be, I think, entirely wrong for the Treasury not to bring up some Vote which would enable it to be discussed in Committee of Supply; otherwise it would not be discussed in Committee of Supply at all.

2741. I wanted to understand whether there was anything to prevent the Treasury by Minute practically doing away with the Vote altogether?—I do not think there is anything in the law, as it now stands, that would prevent their taking that course. I may perhaps explain that it would not have been quite possible in this case to do so, because the receipts are received by stamps from the Inland Revenue, and not in money. Still in principle the answer to the question is as I put it.

Sir *Arthur Hayter.*

2742. (To Sir *E. W. Hamilton.*) Will you tell us why Mr. McNeilie, whose case is referred to in paragraph 2, is kept on, although he is over 70 years of age?—Mr. McNeilie is now only employed temporarily. He has been retired, and his pension, which is temporarily suspended, has been fixed; therefore his service does not now count towards pension any longer. The reason why he was kept on in this way was that the office he holds (namely, that of Director of Chancery) is about to be abolished, but it requires legislation to abolish it. There has been no opportunity of securing the necessary legislation, and therefore it was thought that it would be the most economical course to pursue that Mr. McNeilie should be allowed to remain on. He is a retired officer, and not an active Civil servant.

Mr. *Buchanan.*

2743. Has the salary ceased to be paid?—No, but his pension has been awarded.

2744. Still he takes his salary?—Yes, and not his pension; it is a temporary arrangement to allow him to remain on for a short time pending necessary legislation to abolish the Directorship.

Mr. *Alpheus Morton.*

2745. (To Sir *C. L. Ryan.*) Supposing the receipts exceeded the expenditure, the Government could carry on without coming to Parliament at all, as I understand?—It is possible, under the law as it now stands, that the Treasury might direct the whole of the Appropriations in

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Vote 12.—Register House, Edinburgh—*cont^d.*

Mr. *Alpheus Morton*—continued.

Aid to be carried to the credit of the service; and if that met the whole expenditure it could do without an actual Vote.

2746. Supposing they were to treat the income tax as Appropriations in Aid, could they do that?—No; it is only the sums that are appropriated in aid under the Votes.

2747. Is it not contrary to the constitution that any money could be expended without the consent of the House of Commons?—I should say it would be certainly unconstitutional if they pursued any such course as that which is suggested. In order to avoid doing that the practice is to take a token Vote, and that brings the whole expenditure under Parliament in Committee of Supply.

2748. It is your view that they could not constitutionally do as I suggested just now?—Most distinctly.

2749. Referring to the "fees" mentioned here, they are of course taken by way of stamps, are they not?—I will not undertake to say that the fees are all taken in stamps, but that is the practice.

2750. That is the common practice with regard to all the law courts, is it not?—Yes.

2751. Is it not the best practice, so as to have a check, to take these fees by stamps?—Stamps are not any infallible check against fraud, but they are a better system, generally speaking, certainly, than mere cash payments.

2752. When you deal in stamps the practice is, is it not, that one person entirely separate from the other parties sells them, and another officer takes the stamps in payment?—It depends upon the regulations. Sometimes the money is paid in and the stamps are put upon the document by the person to whom the money is paid.

2753. You would not call that a good check, I presume?—That I should call no check at all, so far as the stamps are concerned.

2754. The general practice is that the stamps are issued from a different office altogether from the office taking the fees?—The general system is that the amount that should be paid is written upon the document, and the person who has to pay puts the stamps on himself, and takes it to some other person, who obliterates the stamps.

2755. In fact, he goes to a different office altogether to purchase the stamps?—To another branch of the same office; but still it is separate.

2756. That is the proper system, in your opinion?—Yes.

On Vote 13.

Crofters' Commission.

Mr. *Alpheus Morton.*

2757. (To Sir *E. W. Hamilton.*) On page 311 there is a question of stamps again, is there not; what have they got to do with stamps in the Crofters' Commission?—Under the Crofters'

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Vote 13.—Crofters' Commission—*continued.*

Mr. *Alpheus Morton*—continued.

Holdings Act of 1886 the Commissioners were empowered to fix the scale of costs and fees for carrying out the Act, and they collect those costs and fees by stamps.

2758. From the Crofters?—The Act of 1886 gives the Commissioners power to fix the fees; and those fees are collected by stamps. Without reference to the Act I could not deal with the details.

2759. So far as you understand, are these fees actually taken from the Crofters?—I could not say. The honourable Member will find all the information on the subject in the Report of the Crofters' Commission, and also in the Act of Parliament.

On Vote 14.

Prisons, Scotland.

Chairman.

2760. (To Sir *E. W. Hamilton.*) In paragraph 2 of his Report upon this Vote, the Comptroller and Auditor General remarks upon a certain payment of 1,000*l.* being paid on the 30th of March 1893 to the agent of the Prison Commissioners, but the total amount of the purchase-money, viz., 1,400*l.*, was not paid over by the agent to the vendor of the property until the 11th April 1893, on which day the deeds conveying the property to the Prison Commissioners were completed. He goes on to say: "The course adopted in this case appears to be clearly irregular, for although the payment on account was made to the agent of the Commissioners on 30th March 1893, the payment of the amount to the vendor did not take place until 11th April 1893, and cannot consequently be considered as having been made within the period of the financial year ended on the 31st March 1893. In addition to this irregularity, it may be further observed that, under any circumstances, the expenditure would appear to be more properly chargeable to Sub-head S., Purchase and Adaptation of Property, than to Sub-head M., New Buildings and Alterations, to which it has been charged." Have you any observations to make upon that point?—With respect to the last sub-paragraph of paragraph 2, I think there is no doubt that the expenditure was charged to the wrong Sub-head. The Sub-head ought to be Sub-head S. instead of Sub-head M. With regard to the rest of the observations of the Comptroller and Auditor General, which are more important, I am afraid I must admit that there has been an irregularity committed in this case; but I should say, in defence of the Accounting Officer, that there were certain considerations that led to a misunderstanding. When the Prison Commissioners made application to the Treasury to be allowed to pay this 1,000*l.* on account, it was on the understanding that, on the payment of the 1,000*l.*, the property should be handed over at once to the Prison Commissioners. It was on the

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Vote 14.—Prisons, Scotland—*continued.*

Chairman—continued.

the strength of that understanding that the Treasury gave their assent, as it was on the strength of that understanding that the Prison Commissioners made application for it. Owing to some misunderstanding between the Prison Commissioners and their agent, though they paid the money over to the agent, the agent did not pay the money over to the vendors until the 11th April, when he was able to pay the full sum, and the title deeds were completed. I am afraid I must admit that there was an irregularity on the part of the Accounting Officer.

2761. Can that irregularity be set right now?—The Committee can disallow the payment if they choose.

2762. Supposing that were done, what then?—We should have to rectify it in a subsequent year.

2763. As regards the erroneous charging to one Sub-head, when it should have been charged to another, can that be rectified?—No. It is not a material point, I think. I do not think the Comptroller and Auditor General would think it was worth while raising that.

2764. (To Sir *C. L. Ryan.*) Do you think this irregularity, to which you justly advert in your Report, can be remedied now?—If the Committee were to hold (as is strictly the case, as is admitted) that this sum did not come within the course of payment in the financial year, it is not properly chargeable to the account, and therefore it would have to be surrendered and to be charged against the subsequent year in which it would become properly chargeable.

2765. Would you recommend that that should be done?—If the principle is clearly admitted, I am not sure that I should wish to urge the Committee to carry out that course in the present instance; but it is important that the principle should be clearly admitted that the payment to an agent is not a final payment within the year.

2766. (To Sir *E. W. Hamilton.*) I understand the Treasury admit the principle?—They do; they admit that there was an irregularity.

2767. The Treasury accept the principle as laid down by Sir Charles Ryan, that a payment to an agent is not a final payment?—Yes, I should admit that, certainly. (Sir *C. L. Ryan.*) The Committee will easily understand that if this were allowed the accounts might be adjusted (to use a euphonious term) to any extent.

Sir *Arthur Hayter.*

2768. (To Sir *E. W. Hamilton.*) I suppose it was pretty clear that the reason the money was not paid over by the agent was that the deeds were not ready?—Yes; but the understanding was that the moment the 1,000*l.* was paid over to the vendors they should hand over the property. Why the agent did not pay over the money I do not know.

Mr. *Arthur Williams.*

2769. The purchase-money was 1,400*l.*, of which only 1,000*l.* was paid within the year;

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Vote 14.—Prisons, Scotland—*continued.*

Mr. *Arthur Williams*—continued.

I suppose the reason was that they had not in the last financial year the full purchase-money?—No; but I was given to understand that the Commissioners had made an arrangement that on the receipt of the 1,000*l.* given on account the vendors should hand over the property.

2770. As a matter of fact, they preferred waiting till they got the whole consideration for the purchase before they handed over the deeds?—I think there was some misunderstanding.

Mr. *Buchanan.*

2771. Was the Treasury consent given in the letter of the 23rd February, or only in the letter of the 27th March?—The purchase of the property in 1892–93 was approved in February.

2772. I am referring to the payment of 1,000*l.*?—The Treasury gave their sanction to that particular transaction on the 27th March.

2773. Was not that very late?—It would have enabled the transaction to be carried through, if there had been no hitch, before the 1st April.

2774. Was it only on the 27th March that the Treasury came to this arrangement which had to go through the Prison Board in Edinburgh, and I presume before the authorities at Ayr, under which the vendors were to accept payment of the 1,000*l.* as a practical payment of the whole?—No; the Prison Commissioners had, as they thought, ascertained before the Treasury gave their sanction on the 27th March, that the vendors would hand over the property on receiving the 1,000*l.*

2775. What I meant was this; if the Treasury only gave their assent as late as the 27th March to an arrangement of this sort, surely part of the blame for the irregularity must lie with the Treasury?—I do not think there was any delay on the part of the Treasury at all. The application was made on the 22nd March, and the answer was given on the 27th March; that is an interval of only four days.

Mr. *Arthur Williams.*

2776. I do not quite understand why, when the Treasury must have been informed that the purchase was to be 1,400*l.*, they only sanctioned the payment of 1,000*l.* out of savings; was that the only available balance they had?—That was the only available balance for that year.

Mr. *Alpheus Morton.*

2777. Have you asked for any explanation from your agent with regard to this?—It is not our agent, but the agent of the Prison Commissioners.

2778. Have you asked for any information from anybody by way of explanation?—I have asked for an explanation from the Prison Commissioners.

2779. What did they say?—What I have already said: "The whole transaction was concluded on the understanding that the vendor

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Vote 14.—Prisons, Scotland—*continued.*

Mr. *Alpheus Morton*—continued.

would hand over the property on the receipt of the 1,000*l.*"

2780. Have you asked for any explanation since?—That is what they said last week, when I asked for an explanation upon the comments of the Comptroller and Auditor General.

2781. (To Sir *C. L. Ryan.*) Is not our best way to mark this so as to ensure the proper practice in future, to disallow it?—It is not for me to say that it ought not to be disallowed, because I consider it to be an improper payment on the Vote.

2782. That being so, is it not the best way for the Committee to mark it, to disallow it?—That is a matter for the consideration of the Committee.

2783. That is the best way to mark it, is it not?—It marks it more emphatically, no doubt.

2784. (To Sir *E. W. Hamilton.*) In regard to paragraph 3 the Comptroller and Auditor General says there is an excess of 1,094*l.* 15*s.* 6*d.* spent under the Sub-head "Purchase and Adaptation of Property"; was that money spent before they got Treasury sanction?—No; I infer, from what the Accounting Officer says (as stated in the Report), that the expenditure received the sanction of the Treasury.

2785. But did it receive the sanction of the Treasury after the money was spent or before?—I am afraid I cannot answer the honourable Member's question.

2786. Is there anybody here who can tell me?—I will let the honourable Member know at the next meeting of the Committee.

2787. You will make a note of it?—Yes.

Mr. *Arthur O'Connor.*

2788. I suppose the agent of the Prison Commissioners was not in this case also the agent of the vendors?—I imagine not; but I am afraid I cannot answer that question; I am not aware of the circumstances.

2789. The fact is, as I understand, you authorised the purchase-money to be paid in instalments, part in one financial year and part in another?—It practically came to that.

2790. And the vendor naturally declined to hand over the title deeds till he was paid?—I understand the contrary, that the vendor himself was willing to hand over the deeds, but there was some misunderstanding between the Prison Commissioners and their agent, who did not secure the title deeds till the 31st March.

2791. As a matter of fact when the money was paid the title deeds were handed over the same day?—Yes.

2792. But they were not handed over till the money was paid?—Yes; but I understand the vendors had given an undertaking that they would hand over the title deeds on the payment of 1,000*l.*

2793. You said before, not "the title deeds," but "the possession of the property," which are two different things?—I thought they were practically equivalent terms.

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Vote 14.—Prisons, Scotland—*continued.*

Mr. *Arthur O'Connor*—continued.

but "the possession of the property," which are two different things?—I thought they were practically equivalent terms.

On Vote 16.

Supreme Court of Judicature and other Legal Departments in Ireland.

Chairman.

2794. (To Sir *C. L. Ryan.*) I understand that the excesses which you mention in your Report upon this Vote have been already dealt with by this Committee?—That is so.

2795. That being so, there does not appear to be any other question raised by you upon this Vote?—No; there is no question outstanding upon this Vote now.

On Vote 17.

The Irish Land Commission.

Mr. *Arthur O'Connor.*

2796. (To Sir *E. W. Hamilton.*) You have been good enough to hand to me the Minute which you promised at our last sitting in regard to the Local Loans Fund. I see in the Report a note to the effect that "16,000*l.* has been paid into the Exchequer by the Commissioners for the Reduction of the National Debt, in respect of expenses incurred by the Irish Land Commission on account of the cost of management of the Local Loans Fund during the year 1892–93." In this Minute I notice the different items are put down to different Departments as representing the cost to which they were put in connection with the local loans during the financial year; but I should like to know whether these sums are checked by any authority. The Treasury figures are 400*l.*?—May I say that of course that is a very rough estimate. The number of papers relating to loans is counted, and this number is compared with the total number of papers received in the Treasury; we have no other means in fact of ascertaining the figures.

2797. I observe the Irish Land Commissioners figures are for a sum of 16,000*l.* for two years in succession, but I notice that with regard to the figure of one year, there is a note that "an adjustment was subsequently made, the effect of which was to increase the surplus of the fund for 1892–93 from 44,384*l.* 13*s.* to 44,409*l.* 0*s.* 3*d.*, and consequently the balance to be credited in account to the capital of the fund from 4,287*l.* 17*s.* to 4,312*l.* 4*s.* 3*d.*" But those sums which are deducted on account of expenses come to the very large total of 40,000*l.* or more?—Yes.

2798. The Treasury, I observe, figuring only for an insignificant amount. But as to this larger item of 16,000*l.*, is there any supervision of the Department in respect of the Estimate they

Appropriation Accounts.

Vote 17.—The Irish Land Commission—*cont^d.*

Mr. *Arthur O'Connor*—continued.

they make?—At the time that the arrangement was first made, the Irish Land Commissioners sent over to the Treasury, to the best of my recollection, the information upon which they based their calculation, and we accepted that as the basis of the estimate which they formed, as it seemed *primâ facie* fair; and since then they have proceeded, I believe, on a similar basis. We have no means of checking it, and I do not know that anybody could check it.

2799. I observe that in the first year the Irish Land Commissioners figured for nothing; in the next year they figured for 16,000*l.*; and in another year they figured for 16,000*l.*?—Yes.

2800. But I observe that the figure for the Commissioners of Public Works for one year, is about 28,000*l.*, and in another year only 16,000*l.*?—Possibly the reason was that there was not enough money to pay them that year. In one year the balance on the Local Loans Fund was not sufficient, and so the Departments that had very large sums outstanding against the Local Loans Fund did not get their whole amounts paid; and I think the Commissioners of Public Works (Ireland), and the Irish Land Commissioners suffered in consequence.

2801. I cannot quite make out from this Minute which year is meant; does the Comptroller and Auditor General, or does the Treasury check the details of the calculations of the Departments claiming?—The Treasury have not checked them since they agreed to the basis with the various Departments, so far as I am aware.

2802. If that is so there ought, ought there not, each year to be (if the fund admits of it) a similar charge for all the Departments?—Yes, if the fund admits of it.

2803. These are fixed sums and go on from year to year?—I think the 16,000*l.* has been pretty constant; but I think in the case of the Commissioners of Public Works, Ireland, their Estimate varies. I think the Irish Land Commission Estimate does not vary very much; that is my recollection.

2804. Do these amounts go into extra receipts in aid of the Vote?—They are not taken in aid of the Vote; they are paid into the Exchequer. In a foot-note in the Estimate submitted to Parliament is put down what is expected to be paid into the Exchequer, but it is not appropriated in aid of the Vote.

2805. It is credited to the Department?—It is not credited to the Department in any way. The gross expenditure has to be voted; on this Vote for the Irish Land Commissioners the gross expenses are voted. (Sir *C. L. Ryan.*) It never passes into the Accounts of the Department at all; it is paid into the Exchequer direct by the Treasury.

2806. (To Sir *E. W. Hamilton.*) There are

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Vote 17.—The Irish Land Commission—*cont^d.*

Mr. *Arthur O'Connor*—continued.

two letters in this Minute, one from the National Debt Office of the 24th of October 1893, and the other the reply of the Treasury of the 3rd of November 1893; in the first the National Debt Commissioners say that the actual expenses as reported to them of these different Departments were the several different sums set out in the letter, but they point out that the "estimated" expenditure was certain other sums which are also set out; for instance, the expenses of the Department of the Comptroller and Auditor General are estimated for 1,320*l.*, whereas the amount actually spent was 1,383*l.*; and there is a difference in the case of the Irish Land Commissioners also of a substantial sum, viz., 2,000*l.* Then they point out that the National Debt Commissioners asked for the directions of the Treasury that the sum of 40,000*l.* might be assigned "amongst and for the credit of the Departments concerned, which sum the Commissioners will then be prepared, in accordance with their Lordships decision, to pay direct to the Exchequer." In reply to that letter, the Treasury said: "I am to request that you will pay over to the Exchequer Account at the Bank of England the sum of 40,096*l.* 16*s.* for the credit of the Votes of the undermentioned Departments," and the letter sets out the sums mentioned before. Then they say: "Their Lordships note that you will communicate to each of the Departments concerned the amount of its extra receipts as thus recovered from the fund"?—Yes; but they are extra receipts which the Department cannot touch. The money never goes to them; it is paid into the Exchequer. It is only that they may take credit for it in the next Estimates that these extra receipts are noted.

2807. It is not desirable, is it, that these Departments should inflate their estimates of expenditure in connection with the Local Loans Fund; otherwise the amount which would properly go to make up for loss in addition to the 130,000*l.* a year, which is charged under the Act, would be less than it might be?—No doubt.

2808. And the Local Loans Fund would be at a loss for the convenience of an over-estimating Department?—Yes.

2809. Therefore it seems to me that there ought to be some careful check upon the Departments, as to the accuracy of their estimates?—I should be very happy next year, when the occasion arises, to call upon the Departments to again give us the exact basis upon which they make these calculations, and we would examine into it very carefully; and if there is anything leading us to think there is any excessive charge we would make a communication to the Department.

2810. The Comptroller and Auditor General, at any rate, has not had an opportunity of checking the details which go to make up this estimate, I understand?—No.

2811. (To

Appropriation Accounts.

On Vote 18.

County Court Officers, &c., Ireland.

Chairman.

2811. (To Sir *C. L. Ryan.*) In paragraph 2 of your Report upon this Vote, after adverting to Sub-head I., "Personal and Travelling Expenses" of Magistrates, and observing upon the expenditure of 1891–92, you go on to refer to the Estimates of 1893–94; for our purposes 1892–93 is the year in question, is it not?—I refer to the fact that in the Estimates for the next year where the amount taken is reduced, even this reduced amount is in excess of the average expenditure of the last two years. But I may observe that had I had the Estimates for the current year, 1894–95, before me when the paragraph was written, it would not have been written, because the estimate has now been reduced to 5,000*l.*

2812. You are on the whole satisfied?—Yes, because the reduction has now been made.

Mr. *Webb.*

2813. You say, in paragraph 2, that in the year under review "out of a grant of 8,650*l.* only 4,930*l.* 14*s.* 8*d.* has been expended;" and you go on to say that "in the year 1891–92 out of a grant of the same amount 5,800*l.* only was spent." There was really more expended in 1891–92 than in 1892–93; that being so, what does the "only" mean?—The meaning there is that out of the grant no larger sum than 5,813*l.* was spent, though the grant was in excess of that amount. In the next Estimates the amount taken has been reduced; and in the Estimates for the current year, which I was not in possession of when this was written, it has been reduced to 5,000*l.*; and therefore the point of the paragraph has been met.

On Vote 20.

Constabulary of Ireland.

Chairman.

2814. (To Sir *E. W. Hamilton.*) In paragraph 3 of his Report upon this Vote, the Comptroller and Auditor General, in referring to paragraph 3 of last year's Report, states that the claims against the cities of Cork and Limerick in respect of extra police force, still remain outstanding; is that still the case?—I am afraid that is the case still

2815. Is that the same case as the one which was mentioned very much in Parliament at the time?—I do not know that it was mentioned in Parliament; it has been before the Public Accounts Committee for a good many years running; it has been outstanding for a long time.

2816. Have you nothing further to say except that the claims are not paid?—No. It is a matter of policy, of course. Successive Irish Governments have made up their minds that it would be advisable to take legal proceedings against the cities.

2817. Therefore the Treasury has nothing further to say?—No. The Treasury cannot take any steps themselves.

Appropriation Accounts.

Vote 20.—Constabulary of Ireland—*continued.*

Chairman—continued.

On Vote 21.

Prisons, Ireland.

Chairman.

2818. (To Sir *E. W. Hamilton.*) You observe there is mentioned in paragraph 3 of the Comptroller and Auditor General's Report, a case of the payment of purchase-money under singular circumstances, which appears to be in some degree parallel to the case we were considering under the Prisons (Scotland) Vote; only that in the Irish case the conditions seem to be somewhat aggravated. Does the Treasury admit the irregularity which the Comptroller and Auditor General points out?—No, I should not admit that this was a parallel case to the one in Scotland. Whatever irregularity there has been is certainly not an aggravated one as compared with the Scotch case. I do not think there has been a very grave irregularity committed here. Of course there has been a most unfortunate delay about the completion of the purchase. But the way I should regard it is, that this land has been bought (I may say the purchase is now entirely completed) in instalments. No risk has been run with regard to the payment of the money, because the money has been paid into court, and, therefore, although instalments had been paid before the purchase was finally completed, the Prisons Board ran no risk, because the money was paid into court.

2819. Still you will observe this passage in the Report of the Comptroller and Auditor General: "Although these payments out of the Votes for the different years have been made in each case with the direct sanction of the Treasury, I cannot but state that, in my opinion, it is contrary to the principles of sound financial accounting to introduce, as final charges in an Appropriation Account, sums of expenditure in respect of purchase of property, for the conveyance of which the necessary legal deeds have not been completed before the close of the account for the year affected;" do you acknowledge the principle as laid down there?—Not to the full extent; I do not think there has been any real irregularity committed here, if it is regarded in the shape of a payment in instalments (as I submit it is) necessitated by very unfortunate circumstances connected with the undue delay in the completion of the purchase. I do not think the Comptroller and Auditor General himself questions that this was a final payment. It was a final payment in the sense that the money was paid and a receipt given; but the money

was

Appropriation Accounts.

Vote 21.—Prisons, Ireland—*continued.*

Chairman—continued.

was paid into court, and therefore the Prisons Board ran no risk at all. I consider it is a different case from the Scotch case.

2820. (To Sir *C. L. Ryan.*) After hearing what Sir Edward Hamilton has said, are you still of the same opinion?—I am; because the information sent me by the General Prisons Board in their letter of the 21st February last (which is the last letter I have received on the matter) is to the following effect: "In reply to your letter relative to the purchase of land adjoining Belfast Prison and of premises at Cowley-place, Mountjoy Prison, I am desired to state, for the information of the Comptroller and Auditor General, that the General Prisons Board are informed by the Chief Crown Solicitor that in the former case the deed of conveyance has now been executed" (that is the year after) "by all necessary parties, and the Board have obtained possession of the land. In the case of the purchase of premises at Cowley-place the deeds are still incomplete, and the matter remains in the hands of the Chief Crown Solicitor."

Mr. *Arthur O'Connor.*

2821. They had neither possession of the property nor the title deeds during the financial year, I understand?—No. I do not think that payments should be made either into court or otherwise without obtaining a *quid pro quo* in a tangible shape either of deeds or land; in this case there was neither.

2822. Do you accept Sir Edward Hamilton's view with regard to payments by instalments?—No, I do not.

Appropriation Accounts.

On Vote 8.

Prisons, England and the Colonies.

Chairman.

2823. (To Sir *E. W. Hamilton.*) In the last Sub-head of paragraph 4 of his Report upon this Vote, the Comptroller and Auditor General remarks that, a small sum, viz., 12*l.* 10*s.*, was paid to a contractor in respect of an injury sustained by his horse at Leeds Prison; and he goes on to say that "the sanction of the Treasury was obtained, but the expenditure would appear to have been of an exceptional nature, to which special reference should have been made on the face of the Appropriation Account;" who would be the authority to make that reference?—It should have been done by the Accounting Officer; he should have made a note on his account.

2824. (To Sir *C. L. Ryan.*) What exactly was your view when you penned that paragraph; was it merely that it ought to have been stated in the account?—The rule is, that if an expenditure is charged of an unusual character, which is not provided for, there should be a note on the Appropriation Account stating under that particular head that the expenditure of such an amount had taken place for such a purpose. It is the Accounting Officer's duty to do that.

2825. Do you attach any importance to this point?—No; because I practically remedied the omission of the Accounting Officer by stating it in my Report, and therefore you are seized with the facts.

[The Witnesses withdrew.

Wednesday, 13*th June* 1894.

MEMBERS PRESENT:

Mr. Bartley.
Mr. Buchanan.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Webb.
Mr. Arthur Williams.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Sir EDWARD W. HAMILTON, K.C.B., called in; and Examined.

CLASS IV.

EDUCATION, SCIENCE AND ART.

ON VOTE 1.

PUBLIC EDUCATION, ENGLAND AND WALES.

Mr. HENRY W. SIMPKINSON, called in; and Examined.

Chairman.

2826. In paragraph 4 of the Report of the Comptroller and Auditor General upon this Vote, he remarks that the Education Department, without admitting that the average fees were in excess of 9*d.* per week in the particular case there referred to, state that under any circumstances it was a case to be treated exceptionally under the words "as a rule" inserted in Article 3 of the Code; is your Department quite clear upon the construction of those words to which the Comptroller and Auditor General alludes?—I am instructed to say that the Department is quite clear upon the construction of those words. The words have disappeared from the present Code. They were only put in to meet hard cases which might possibly arise under the Code of 1892.

2827. The intention of the Code was that there should be a certain elasticity?—Yes, for that year, and for that year only.

2828. The words have disappeared now, I understand?—The words have gone now from the Code.

2829. Therefore, in future there will be strict adherence to the rule as regards 9*d.* per week?—There will be strict adherence to the rule in future.

2830. In the next sub-section of the same paragraph the Comptroller and Auditor General remarks that in two other cases, namely, those

Chairman—continued.

of St. Thomas, Charterhouse, and Blyth Higher Grade Schools, payments have been made, although in the first case, out of 522 scholars, 180 or 34·48 per cent. of the scholars paid fees in excess of 9*d.* a week, whilst in the second the numbers paying more than 9*d.* averaged 39·56 per cent.; will those kind of cases not recur now?—They will not recur.

2831. In the last sub-section of paragraph 6 the Comptroller and Auditor General observes that as regards the Stanton National School the Education Department state that application has been made to the late managers for repayment of a sum of 16*l.* 9*s.* 2*d.* (to which charge he had taken exception), but so far without success; then he proceeds to say that he "has noticed these overpayments, inasmuch as, should the accounts outstanding prove to be ultimately irrecoverable, it would seem that Treasury sanction should be obtained for the abandonment of the claims." Have you anything to remark upon that?—I understand that we have now, as a matter of fact, recovered the amount in the case of the Stanton National School.

2832. With regard to the Beverly-road School, Hull, the Comptroller and Auditor General says that "there was originally an overpayment of 9*l.* 17*s.* 6*d.*; the ex-managers have refunded 5*l.* 7*s.* 6*d.*, but apparently dispute their liability in respect of the balance of 2*l.* 10*s.*" Are you taking steps to settle that?—I am unable to say precisely

Appropriation Accounts.

Vote 1.—Public Education, England and Wales —*continued.*

Chairman—continued.

precisely what is being done. It is a very small sum, 2*l.* 10*s.*, that seems to be in dispute there with the managers. Our difficulty is that they being ex-managers we have nobody to go against. The school is wound up, and it is very difficult to get money back from an indeterminate body.

2833. May we understand that if on these accounts or similar accounts any balances should remain unpaid, your Department will follow the principle laid down by the Comptroller and Auditor General to the effect that Treasury sanction should be obtained for the abandonment of any claim that may be proved to be irrecoverable?—Yes; I think I may undertake that on behalf of the Department.

2834. (To Sir *C. L. Ryan.*) Have you anything to remark to the Committee upon what Mr. Simpkinson has said?—I have nothing to add to what Mr. Simpkinson has said.

2835. You think what has been stated is so far satisfactory in both cases?—Yes, I think so.

2836. That is to say, with regard, in the first place, to the strict observance of the 9*d.* rule?—With regard to the 9*d.* limit, the rule has been strictly enforced in the past year, but I thought it desirable to call attention to cases, in the year under consideration, in which there had been a departure from the rule. It was, however, a departure which was covered by the words of the Code, and, therefore, I only called attention to the cases without objecting to them.

2837. And, as regards these irrecoverable balances, are you also satisfied with what has been stated?—One of those balances, as has been stated, has since been recovered. The other has not been recovered; but if it proves to be ultimately irrecoverable, I understand the Department will follow the rule, and obtain Treasury sanction for writing it off.

2838. Then you have nothing further to say upon those points?—I have nothing further to say.

Mr. *Arthur Williams.*

2839. There is only 2*l.* 7*s.* upon these two claims remaining overpaid?—The balance is only 2*l.* 10*s.*

2840. The liability is disputed in respect of that balance?—It is at present.

2841. The Department cannot find anybody whom they can pursue in order to obtain this 2*l.* 7*s.*?—If that should prove to be the case, of course the Department will represent the facts to the Treasury, and the Treasury will give their sanction for writing off the claim.

2842. (To Mr. *Simpkinson.*) In the following paragraph, as I understand, where there are admitted overpayments, you have the remedy in your own hands, because, in the case of an existing school, the managers can deduct any overpayment from a future grant?—That is the practice of the Department. When a school is

Appropriation Accounts.

Vote 1.—Public Education, England and Wales —*continued.*

Mr. *Arthur Williams*—continued.

still going on, we deduct from the next grant any overpayment made in the preceding year.

2843. Therefore you have the remedy in your own hands there?—We have the remedy in our own hands.

2844. It is only when a school has ceased to exist, and you cannot get the money, that you have to go to the Treasury for sanction for writing it off?—Yes. (Sir *C. L. Ryan.*) I might explain that the object of putting in this paragraph, which is somewhat unusual and only applies to the Education Vote, is because the account, as it stands before you, contains payments which it would not contain under ordinary circumstances, and which it contains only because the practice of the Education Department differs from that of other Departments, in deducting the over-payments from the next year's grants. In other Departments, when they admit an over-payment, they strike it off the account at once, and render the account net, so to speak.

Mr. *Webb.*

2845. (To Mr. *Simpkinson.*) According to paragraph 7, there is a sum of 181*l.* 4*s.* 3*d.* in respect of admitted over-payments still not recovered; may I ask how many schools are involved in this deficit of 181*l.* 4*s.* 3*d.*?—I am afraid I have not got the figures with me; they would be only a few schools, I think. (Sir *C. L. Ryan.*) They are generally small sums.

Mr. *Alpheus Morton.*

2846. (To Mr. *Simpkinson.*) On page 357 of the Appropriation Accounts, you will see under item F. there is a saving of 10,266*l.* 9*s.* 10*d.*; you got a Supplementary Vote on that account, did you not?—Yes, there was a Supplementary Vote.

2847. Why, instead of asking for 79,500*l.* in the Supplementary Vote, did you not ask for 69,000*l.*, seeing that that was what you wanted?—I am unable to give an exact answer to the question, as the officer who prepared the Estimate is not here; but I am afraid it must have been an error in the preparation of the Estimates. We thought we should want more than we actually did. It is always very difficult to foretell what the average attendance will be in the course of the year.

2848. Is it because you want to spend more money upon other objects?—No; I am quite unaware of any such intention.

2849. That is what you have done with the money, is it not?—It seems to have been.

2850. In the case of a Supplementary Vote it would be possible, would it not, to estimate it nearer than 10,000*l.* more than was wanted, so that the House of Commons could know what was going on?—There were great difficulties this year in regard to the preparation of the Estimates, owing to the abnormal increase in the average attendance.

 2851. I quite

Appropriation Accounts.

Vote 1.—Public Education, England and Wales —*continued.*

Mr. *Alpheus Morton*—continued.

2851. I quite understand that with regard to the original estimate; but I am asking with regard to the Supplementary Vote of 79,000*l.*; why could you not have asked for 69,000*l.*; at that time you knew what you would want, I presume?—I fancy we did not know what we should want. The last month of the year very often upsets our calculations completely.

2852. This book was printed before you got the Supplementary Vote, was not it?—I am not aware; the Supplementary Estimate was brought in in March.

2853. This book is made up some weeks before that, is it not?—In February 1894.

2854. Therefore you must have known when you asked for a Supplementary Vote of 79,500*l.* that actually you only wanted 69,500*l.*?—(Sir *E. W. Hamilton.*) The honourable Member is taking the wrong year. The Supplementary Estimate referred to in these accounts for 1892-93 must have been taken long before the accounts were made up and printed in the Appropriation Accounts.

2855. Yes; I beg your pardon, that is so. As I understand now the Supplementary Estimate was asked for in 1893, not 1894?—February 1893.

2856. The money in the Supplementary Estimate was for the year ending 31st March 1893, was it not?—Yes, the year 1892-93.

2857. (To Mr. *Simpkinson.*) On page 358, under Sub-head H., the explanation given of the deficiency there is: "This was due to a diminution in the rateable value of certain school districts." What has rateable value got to do with grants?—That refers to the special grant under Section 97 of the Elementary Education Act of 1870; it is a somewhat difficult section.

2858. Do school boards get grants?—Specially poor school boards get a grant under that section.

2859. Is that the case with voluntary schools?—It is paid not to the school, but to the school board.

2860. Consequently they get more than a voluntary school in the poor district which gets the grant?—It is a grant paid to the boards only, not to the schools.

2861. You give no such relief to voluntary schools?—Not to the managers of voluntary schools; it is rather difficult to apply it by analogy. The grant is made, as I say, to the board, not to the schools.

2862. I understand in a poor district you give an extra grant to the school boards?—Yes.

2863. Would you give a similar grant to a voluntary school?—We have no power under the statute. The grant is paid to the school board irrespective of the school, and not as a grant in respect of the particular school which it conducts; it goes into the school fund; it does not appear in the school accounts at all. The school fund is applicable to the expenses of the school, and so doubtless the money is eventually applied in part to the school.

2864. With regard to the money overpaid, referred to on page 360 of the Appropriation Accounts, how is it possible for a school to be overpaid?—Sometimes mistakes are made in the calculation of the grant simply; clerical errors in the Department are one frequent source of it.

2865. As a matter of fact you do not pay the grant, I believe, for a month or two after it is earned, do you?—Thereabouts, as a rule.

2866. So that these overpayments have nothing to do with the grant, unless you have made a mistake in the calculation?—There are many ways in which slight overpayments may be made. I was merely indicating one way in which it might possibly occur.

2867. Will you tell me another way in which it might occur?—Sometimes an inspector may have recommended a higher grant than he meant, and he may say, this is a mistake in my recommendation. Again, we may find that we may have paid a small population grant in a place where the population was in excess of what we thought.

2868. These overpayments have got nothing to do with the closing of the school?—They have nothing whatever to do with the closing of the school.

2869. I am not objecting to the possibility of making errors; but, as I understand now, if you do not make any errors the schools cannot be overpaid?—No.

Mr. *Arthur O'Connor.*

2870. What is the statutory authority which you refer to for grants to school boards?—Section 97 of the Act of 1870; the third paragraph of that section.

2871. Will you kindly read it?—It is a somewhat complicated and difficult section, and a long one: "Provided that where the school board satisfy the Education Department that in any year ending the 29th September, the sum required for the purpose of the annual expenses of the school board of any school district, and actually paid to the treasurer of such board by the rating authority, amounted to a sum which would have been raised by a rate of 3*d.* in the £. on the rateable value of such district, and any such rate would have produced less than 20*l.*, or less than 7*s.* 6*d.* per child of the number of children in average attendance at the public elementary schools provided by such school board, such school board shall be entitled, in addition to the annual Parliamentary grant in aid of the public elementary schools provided by them, to such further sum out of moneys provided by Parliament as, when added to the sum actually so paid by the rating authority, would, as the case may be, make up the sum of 20*l.*, or the sum of 7*s.* 6*d.* for each such child, but no attendance shall be reckoned for the purpose of calculating

13 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Simpkinson. [*Continued.*

Appropriation Accounts.

Vote 1.—Public Education, England and Wales —*continued.*

Mr. *Arthur O'Connor*—continued.

culating such average attendance unless it is an attendance as defined in the said minutes."

2872. Does the Department interpret that to mean that whenever it is necessary they are in a position to supplement the local rate resources up to, at all events, the minimum of 7*s.* 6*d.* in respect of board schools?—I think that is, shortly stated, the effect of the section. When the conditions are complied with, we make up the difference between the 3*d.* rate and the 7*s.* 6*d.* per child.

2873. But over and above the draft upon the rates in favour of the board schools, the Department makes such supplementary issue as is necessary to secure for the board schools a minimum rate of 7*s.* 6*d.* per child?—I think that is how it would work out. It is a little difficult to follow. What the Department pay is the difference between the proceeds of a 3*d.* rate and 7*s.* 6*d.* per child.

2874. That is over and above the grant upon examination?—It is quite independent of that grant; it is paid quite separately at a different time of the year.

2875. The schools other than the board schools get of course a grant upon examination?—Yes.

2876. But there is nothing at all corresponding to this grant?—There is no analogous payment in respect of voluntary schools.

2877. So that, besides the draft upon the rates in favour of board schools there is a draft upon the monies voted by Parliament each year for the board schools in which the voluntary schools or the non-board schools do not share at all?—That is true. It is a grant in relief of the rates, as it were; it saves the board from raising a larger rate.

2878. And it is in aid of board schools exclusively?—Yes.

Mr. *Bartley.*

2879. That grant must be made in a great number of places, I presume?—It is made in an increasingly large number of places, as is stated in the explanation under Sub-head H.

2880. There must be at least 600 here?—I cannot give the figures. We always publish a list of grants made to the various boards annually.

2881. No school can get more than 20*l.*?—The difference between the 3*d.* rate and 20*l.* or 7*s.* 6*d.* per child in average attendance, whichever is the higher limit.

Sir *John Hibbert.*

2882. I suppose the grants are made principally to small school board districts?—Yes; mainly to rural school board districts, and the sums paid are often very small.

2883. With regard to the two Supplementary Estimates on Sub-heads F. and G., one of which was over-estimated, and the other under-estimated, I presume the difficulty of estimating exactly for both those sub-heads was owing to the new system of payment of fees; did that make it more difficult to estimate, particularly in

Appropriation Accounts.

Vote 1.—Public Education, England and Wales —*continued.*

Sir *John Hibbert*—continued.

the case of grants for day scholars?—The mistake in our original estimate was very largely due to the difficulty in understanding what the amount of the fee grant would be.

2884. Also you could not estimate as to the number of scholars the new system would bring into the school?—That was so.

2885. I presume it did bring in a large number of additional scholars?—The increase has been abnormally large since the Act of 1891.

Chairman.

2886. (To Sir *E. W. Hamilton.*) Would the Treasury concur in the view which Mr. Simpkinson has expressed to us with regard to the interpretation of the Act with respect to special grants to small board schools?—I do not think I feel justified in expressing an opinion on behalf of the Treasury upon that point.

2887. (To Sir *C. L. Ryan.*) Has this point ever been under your consideration?—No, in no way. I am only concerned to ascertain whether the sums paid are correct according to the Act, and they are correct.

2888. But does not the question arise as to whether these payments are in accordance with the Act; that is the very question, is it not?—I am not quite certain whether I understand the honourable Member's question.

2889. Certain payments are made to certain board schools; the Committee ask, why are they made; Mr. Simpkinson says they are made in accordance with the interpretation of a certain section in the Act; which appears at first to be, *primâ facie*, open to argument, though it may be correct; what I am asking you is, from what you hear of the evidence, do you consider that interpretation to be correct?—Certainly, so far as the board schools are concerned. These sums are correctly chargeable upon the Parliamentary Grant under the authority of the Act, and paid to the board schools who are within the conditions of the Act.

2890. Then, so far as you can judge, you would concur, as I understand, in Mr. Simpkinson's interpretation of the Act?—Certainly.

Mr. *Alpheus Morton.*

2891. (To Mr. *Simpkinson.*) Could you tell me whether there are cases where the 7*s.* 6*d.* per head amounts to more than 20*l.*?—I think there are many cases. So far as I recollect, that is rather the normal way in which the section operates. I am speaking without any special knowledge of the working of the grant.

2892. Can you say what is the highest amount given to any one school under this clause?—I could tell you at once by reference to the report, where all the grants are printed individually.

2893. You have not got that here?—No.

2894. Could you give us the figure or the report at our next meeting?—Certainly; I will undertake to do so.

 2895. I observe,

Appropriation Accounts.

Vote 1.—Public Education, England and Wales —*continued.*

Mr. *Bartley.*

2895. I observe, on page 357, there is an excess of 3,200*l.* in the annual grants to the training colleges; can you tell us what accounts for this large increase; is there any special reason for it?—The increase of the grant to the training colleges has been very largely due to the inauguration of the system of day training colleges.

2896. Was not that contemplated when the Estimates were framed?—Certainly. I cannot tell you precisely why this sum was under-estimated. We are not quite certain, in every case, what number of students may be in residence in each college.

2897. Still you take the average?—We could take the average. I am afraid I cannot answer the question as to the special reason.

2898. There is no special reason, so far as you know?—Not that I know of.

[Mr. *Simpkinson* withdrew.

On Vote 2.

Department of Science and Art for the United Kingdom.

Chairman.

2899. (To Sir *E. W. Hamilton.*) In the concluding sub-section of paragraph 2 of the Comptroller and Auditor General's Report on this Vote, he says: "It seems doubtful whether an unprovided-for service of this nature can be held to be properly charged against the Science and Art Vote." The service in question related to expenses incurred in consequence of a representation from the Royal College of Science "as to the necessity for giving the students, and especially those who were going out in mining, some elementary knowledge of ambulance work, and not granting the associateship of the school unless the candidate possessed a certificate that he was qualified to give first aid to the wounded." You notice the opinion of the Comptroller and Auditor General upon that point?—Yes, I do; but I cannot help thinking that the observation made by the Comptroller and Auditor General may have been made under some misapprehension; because, although the heading of the sub-head is, no doubt, only "Direction, Inspection, and Examination," yet in the details given in Part III. of the Estimate there was direct provision made for "lecturers paid by the lecture." Such lectures as those dealt with in the paragraph were contemplated when the Estimate was framed.

2900. Then I understand you to say it is properly charged against the Vote because it was put in the Estimate which was sanctioned by Parliament?—Yes; I do not know whether the Comptroller and Auditor General observed that provision in the Estimate. (Sir *C. L. Ryan.*) I was not aware that that service had been provided for, and I was not so informed when I challenged the payment; if I had been I should not have raised the question. (Sir *E. W. Hamilton.*) I have here the Estimates, and the provision is for "lecturers paid by the lecture."

Appropriation Accounts.

Vote 2.—Department of Science and Art for the United Kingdom—*continued.*

Chairman—continued.

Mr. *Arthur Williams.*

2901. (To Sir *C. L. Ryan.*) Do I understand you were not aware that the word "lecture" occurred in the Estimates?—I was aware that the word lecture occurred in the Estimates, but I did not think it applied to lectures given on ambulance work, but to lectures in science and art.

2902. Not to the special instruction of future associates?—If I had been told that the provision for lectures had deliberately included a sum for these ambulance lectures, and that it was the intention to defray them as part of the lectures provided for, I should probably not have raised the question; and, as the Committee will observe, I only raise it as a matter of doubt. It is a case which I did not feel justified in passing without raising the question.

Chairman.

2903. (To Sir *E. W. Hamilton.*) In the last sub-section of paragraph 3 it is stated that the Civil Service Commissioners informed the Comptroller and Auditor General that on the receipt of replies to a certain circular they proposed to communicate with the Lords of the Treasury with a view of settling the question referred to in that paragraph; have they so communicated with the Treasury?—They have communicated with the Treasury, but the Treasury have not yet come to any decision upon it; it is now under their consideration.

2904. We shall not know what their decision is, I presume, in time for our Report this year?—I do not think so.

Mr. *Alpheus Morton.*

2905. With regard to this ambulance work, do you say it was mentioned in the Estimate?—Not the actual word "ambulance"; but there was provision made for "lecturers paid by the lecture," and the Science and Art Department thought they were justified in charging this to that sub-head.

2906. (To Sir *C. L. Ryan.*) Your view was that ambulance work had nothing to do with science and art?—*Primâ facie*, I thought it required some justification or some explanation.

2907. You think it would have been better to have mentioned ambulance work in the Estimate?—Of course, if it had been mentioned in the Estimates no question could have arisen; but the word "lecture" was so broad, and I could not without some doubt in my mind pass it as applying to ambulance work.

2908. Because, I suppose, it might cover lectures on anything?—That is the danger.

2909. It

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Vote 2.—Department of Science and Art for the United Kingdom—*continued.*

Mr. *Alpheus Morton*—continued.

2909. It might cover lectures on racing?—The word "lecture" does not define it. (Sir *E. W. Hamilton.*) I understand the Science and Art Department intend to transfer the charge another year to Sub Head B. They propose in future years to make the provision for the lectures under Sub-Head B., instead of Sub-Head A., for this particular service.

2910. Is ambulance work mentioned there?—I do not know what they propose to do. I do not suppose they will specify ambulance work. I should imagine it would be a more general heading.

2911. Do you not think that that would be information they might give to Parliament; that they were giving lectures on ambulance work?—I suppose they would have to state every subject on which they were going to give lectures, if they once began stating the subject in the case of ambulance work.

2912. I do not say that; but they would not not be able to lecture on subjects that they did not state. Would it not be worth while to tell Parliament that they were going to give these lectures on ambulance work?—The Science and Art Department will be informed of what the Committee's view is upon the subject, and I am sure they will act upon it.

Mr. *Bartley.*

2913. Do you not consider that the Dean and Council of the Royal College of Science, the Vice President of the Committee of the Council, and the Lord President, are fit judges of what lectures ought to be given without any interference from the Audit Office, or anybody else?—I think there ought to be discretion left to them, certainly.

2914. Are they not responsible for administering this Vote?—Yes.

2915. And teaching what they consider necessary?—Certainly.

2916. Do you consider it is a matter for the Audit Office to interfere as regards the lectures that are given?—I suppose it is the duty of the Audit Office to see that a service was not charged for which was not understood by Parliament to be provided for.

2917. Are not the Lord President of the Council, and the other gentlemen referred to, the best judges of what is wanted?—That I quite admit.

Mr. *Alpheus Morton.*

2918. Have they the right to judge without telling Parliament something about it?—I think it is very difficult for the Department to give, perhaps, quite as full information as the honourable Member proposes in the Estimates.

2919. I should have thought it was not generally understood that ambulance work is connected with science and art; has it been so understood in this Vote?—The Science and Art Department assure me it was understood in this Vote.

2920. Is this ambulance item continued every year?—I cannot say how long it has been continued.

Mr. *Arthur O'Connor.*

2921. I suppose the Treasury does not claim a right to define the scope of the action or province of the Comptroller and Auditor General?—Certainly not.

Mr. *Alpheus Morton.*

2922. (To Sir *C. L. Ryan.*) I suppose you exercise your duties without regard to the control of anybody beyond Parliament?—I endeavour to exercise my duty with all due discretion; I may, of course, be liable to error, like other people.

2923. (To Sir *E. W. Hamilton.*) In the explanation on page 365 of the Appropriation Accounts, it says that "the savings under the Sub-heads F. 1, 2, 3, 4, 5, 6, 7, 8, and 9 were due to carrying out the instructions of the Treasury that the unavoidable excess under F. 10 should be met by savings under other sub-heads of Section F." Do I understand there would not have been those savings if you had not wanted to spend more money under F. 10?—There was an excess under F. 10, and there were savings under the other items of Sub-Head F.

2924. The explanatory note says that the savings were ordered so as to expend the money under F. 10; do I understand that there would have been no savings if you had not wanted to spend the money on another item?—It was found that the provision made under these sub-heads from 1 to 9 was more than was required, whereas under Sub-head F. 10 there was insufficient provision made; therefore, they came to the Treasury, and asked that they might apply the savings under F. 1 to 9 to meet the excess under F. 10.

Mr. *Arthur Williams.*

2925. The question which I understand Mr. Morton to put is this: the honourable Member suggests that there would not have been savings under some of the heads unless it were known that there would have been an excess of expenditure under other heads?—I beg the honourable Member's pardon; I had not quite apprehended the point of the question; I see the point now.

2926. It is suggested by Mr. Morton (and it is a very serious suggestion) that savings would not have been made under some of the heads by the Department unless they had known that there was to be an excess on another item?—When a Department comes to the Treasury and says "we shall have an excess upon a certain sub-head," the Treasury says "you may make that excess provided you effect upon the total of the sub-heads sufficieht savings to meet it." That is constantly done by the Treasury; the

Appropriation Accounts.

Vote 2.—Department of Science and Art for the United Kingdom—*continued.*

Mr. *Arthur Williams*—continued.

the object being to prevent an excess upon the total Vote granted by Parliament.

Mr. *Philip Stanhope.*

2927. On the other hand, I take it the Treasury never would take upon themselves to suggest the savings?—They go so far as this, to say to a Department, "If you have committed an excess on one sub-head be careful upon the other sub-heads."

Mr. *Bartley.*

2928. The excess and savings referred to here are all under one Vote?—Yes, and all under one sub-head.

2929. Therefore, inasmuch as the excess on F. 10, "Carriage and Materials," was 1,400*l.*, the Treasury said, "If that is the case you must make fewer purchases of works of art under F. 2, for instance, so as to meet it"?—Yes; they say, in fact, "You must be more economical in other respects."

Mr. *Alpheus Morton.*

2930. That is how I read it, that the Treasury instruct you to make savings to meet the excess?—They say, "You must be economical so as to meet this excess."

2931. Would it not be well to be economical in any case?—Yes; but this is an extra pressure put upon the Department to prevent certain expenditure upon some of these heads, such as "Works of Art," in order to meet this particular excess in respect of "Carriage, Materials, &c."

2932. If you can make savings under those sub-heads and then spend them under a new item, is it not deceiving Parliament to some extent when the Votes are before us?—As I have said before, the Estimate presented to Parliament does not bind the Treasury, or the Department with the leave of the Treasury, to spend the exact sums under those particular sub-heads. The details are given to Parliament for information only.

2933. They are not to be relied upon?—Not to show what the exact expenditure will be on every detail. How is it possible that a Department can estimate these various small sub-heads to a nicety?

Sir *John Hibbert.*

2934. These changes can only be made with the consent of the Treasury?—Certainly.

Mr. *Alpheus Morton.*

2935. The excess on F. 10 in this case is 1,400*l.*, which is a very large amount considering the total we are dealing with?—I am not acquainted with the particulars, but I presume it was due to some expenditure of a considerable character which was not foreseen at the time the Estimate was framed.

2936. What I want to know is, is it not better that you should give more complete information to Parliament when we are voting the money?—I do not know what more complete information the honourable Member would wish, or in what direction he would wish it to be more complete.

Appropriation Accounts.

Vote 2.—Department of Science and Art for the United Kingdom—*continued.*

Mr. *Alpheus Morton*—continued.

Chairman.

2937. I presume you give the best information you can give at the time of giving it?—That is so.

Mr. *Alpheus Morton.*

2938. That may be; but would it not be possible to give it nearer than 1,400*l.* on a Vote so small as this?—I am not in a position to say so.

2939. The first grant was 2,050*l.*; an excess of 1,400*l.* is a large excess upon that, is it not?—Yes; the excess is explained in the note by the Accounting Officer of the Department.

2940. Then you say, in point of fact, that it is not possible to go nearer than this?—I do not say that it is not possible to go nearer than this particular sub-head under consideration now. I think this is rather an unusual excess considering what the total of the sub-head is.

On Vote 3.

British Museum.

Chairman.

2941. (To Sir *E. W. Hamilton.*) In paragraph 5 of the Comptroller and Auditor General's Report on this Vote, he says in regard to a certain sum of 60*l.* charged for Sub-head I. for expenses incurred by the Assistant Keeper of British Antiquities in respect of a journey to Madrid to report on the Columbus Exhibition, that sanction has been given for the amount being charged against the Museum Vote; but no provision for the service appears to have been made in the Estimate under this sub-head. I presume you have considered that the Treasury acted in that case within its prescriptive power and authority?—As a special opportunity offered for such a mission to Madrid, the Treasury thought the expenditure was justified, and they considered that the heading "Incidental Expenses" would cover an unforeseen expenditure of this kind.

2942. I presume this was not foreseen when the Estimate under this sub-head was prepared?—Certainly not.

2943. You consider it fell within the authority of the Treasury?—Yes.

2944. (To Sir *C. L. Ryan.*) Do you admit the view expressed by Sir Edward Hamilton?—Certainly. But the expenditure occasioned an excess of 52*l.* upon the particular sub-head, and therefore I thought it was desirable just to notice the fact.

2945. But you do not otherwise object?—No.

Mr. *Webb.*

2946. (To Sir *E. W. Hamilton.*) I observe that under Sub-head A. the calculation for salaries was 56,000*l.* and odd, and only 54,526*l.* was spent; it appears strange that the salaries

Appropriation Accounts.

Vote 3.—British Museum—*continued.*

Mr. *Webb*—continued.

salaries could not be calculated more nearly beforehand; is there any explanation of that?—I think the explanation is given in the note at page 375, "Savings due to vacancies occurring, or remaining temporarily unfilled, in the authorised establishment, especially of assistants."

Mr. *Alpheus Morton.*

2947. Referring back to paragraph 5 of the Report, with regard to incidental expenses, do I understand that you can spend money on services for which no provision is made in the Vote at all?—If it is a service of an analogous kind to that which has already been provided for by Parliament. "Incidental Expenses," of course, is a wide term.

2948. You consider this came under the description in the note?—Yes; under "Incidental Expenses."

2949. "Incidental Expenses," might mean almost anything, might it not?—That is a matter for the Treasury to exercise their discretion upon. They thought it was justifiable. Moreover, the account as rendered contains an explanation given by the Accounting Officer to account for the excess. The Committee is fully seized of the cause of the excess.

2950. I have understood you to say that although you consider you can spend the money how you like on the sub-heads, still you cannot spend more than the total voted to the Department?—Certainly not.

2951. Will you look at page 374, where the account of the British Museum is printed; have they not spent nearly 180*l.* more than was granted, taking the total Vote for the British Museum?—I am afraid I do not see what the honourable Member is referring to.

2952. You will see, looking at the first totals on the page, they have saved 1,684*l.*, but they have spent, more than granted, 1,824*l.*?—The honourable Member is taking only half the Vote.

2953. I am taking the British Museum?—The whole Vote is for the British Museum. Under the British Museum is the Natural History Museum; the honourable Member must look at the whole Vote, not half the Vote.

2954. Are not these two accounts given to us separately here?—No; the British Museum authorities account for the whole Vote.

2955. The two accounts have been added up separately on page 374?—That is only for the information of Parliament. There is one Accounting Officer for the whole Vote, and the whole amount is given to the Trustees of the British Museum.

2956. Do I understand that, without telling Parliament, you can take money voted to the British Museum, and spend it on the Natural History Museum at South Kensington?—With the consent of the Treasury.

Appropriation Accounts.

Vote 3.—British Museum—*continued.*

Mr. *Alpheus Morton*—continued.

2957. (To Sir *C. L. Ryan.*) Do you consider that that is so?—That is so as it is now voted.

2958. (To Sir *E. W. Hamilton.*) You say you can take money voted to the British Museum, and give it to the Natural History Museum at South Kensington?—Yes, the Natural History Museum is merely part of the British Museum.

2959. (To Sir *C. L. Ryan.*) Do you not think it would be wiser to keep the two Votes separate?—It is one Vote for the British Museum.

2960. It is called "British Museum," and it also says in the heading of the account "including the amount required for the Natural History Museum;" it is separated in the note?—There is no separation in the resolution; it is one resolution.

2961. You mean the resolution that is submitted to Committee of Supply?—Yes.

On Vote 5.

National Portrait Gallery.

Chairman.

2962. (To Sir *E. W. Hamilton.*) In paragraph 2 of the Comptroller and Auditor General's Report on this Vote, he refers to his Report of last year, and states that "subsequently by Treasury letter, dated 2nd February 1893, Mr. Scharf was re-nominated Accounting Officer of the Vote 'National Portrait Gallery;' and his salary, at the rate of 250*l.* per annum, continues to be charged to Sub-head A. of the same." Are you quite satisfied as to the propriety of all that?—Yes, certainly under the circumstances. The Committee will understand that Mr. Scharf has been retired, and is not now an established Civil servant. It was thought extremely desirable in the public interest that the public should not lose his services until the new gallery was opened, and therefore the Treasury made a special arrangement whereby he should be still employed temporarily.

On Vote 7.

Universities and Colleges, Great Britain.

Mr. *Alpheus Morton.*

2963. (To Sir *E. W. Hamilton.*) With regard to this sum of 40,000*l.* for Aberdeen University, which is referred to in the Report of the Comptroller and Auditor General on this Vote, has it been provided from private sources yet?—I am afraid I cannot answer that question without reference; I am not quite certain whether the whole has been subscribed. (Sir *C. L. Ryan.*) I may say that 17,000*l.* has been actually provided.

Appropriation Accounts.

On Vote 9.

Public Education, Scotland.

Mr. Henry Craik, C.B., LL.D., called in; and Examined.

Chairman.

2964. (To Mr. *Craik.*) In paragraph 2 of the Comptroller and Auditor General's Report on this Vote, it appears that the question, whether the fee grant is to be considered in determining the 9*d.* limit, has been settled by the Law Officers of the Crown for Scotland; that is so, is it not?—It has been settled by the Law Officers of the Crown for England and for Scotland. It was referred, at the request of your Committee last year, to the Law Officers of both countries, and they agreed with the previous opinion.

2965. Therefore, so far as you know, that matter is quite settled?—Yes.

2966. Then, in paragraph 4, the Comptroller and Auditor General says that the Scotch Education Department primarily refused a certain grant to the Leith (Burgh) Academy, on the ground that the percentage condition of the 9*d.* rule had not been duly observed, but subsequently permitted a revision of the original school returns, being the percentage "condition" of the 9*d.* rule. Have you anything to remark upon that case?—I think our views are pretty clearly stated in what is set down here. The school board explained that those 27 scholars, on account of whom a nominal fee had been put down, really did not pay the fee; that the sum was paid by the managers of the two endowments referred to here, but irrespective of the number of scholars; and we held that that removed the payment from the category of fees, as, in the first place, it really did not pass through the hands of the children; and, secondly, as it was irrespective of the number of children.

2967. You observe what the Comptroller and Auditor General says at the top of page 393, to the effect that so far as he is in a position to determine, "the governors of these trusts had no power under the deeds to contribute to the income of the academy otherwise than by paying the fees of certain scholars, and that consequently the original entry seemed to have been correct and the condition of percentage to have been infringed"?—The deeds, under which these two endowments were administered, provided for the payment of certain fees. When fees were abolished, of course those payments could no longer be made in the form of fees, and therefore I suppose the governors, acting roughly upon a sort of *cy prés* notion, thought that, as they had nothing else to do with this money, they had better pay it to the School Board of Leith. I understand they are now trying to rectify their scheme for this endowment, and to get it more into order; but I do not think that we, as the Education Department, have any right to question a payment which appeared in the accounts of a school board, on the ground that the payment had been made by the managers of some endowment without proper authority under their scheme. The payment, so far as the school board was concerned, was undoubtedly a fixed payment in aid of their schools.

Chairman—continued.

2968. Do I infer that you consider the abolition of fees alters the condition of the deeds under which the trustees were acting?—It altered the scheme under which they were acting; it made it no longer necessary for them to pay the fee in respect of particular children; and now I understand they are trying to get the deeds put into order to provide for some other payment of this money, and I have no doubt they will take power to do very much what they are doing.

2969. (To Sir *C. L. Ryan.*) Have you any remarks to make upon what Mr. Craik says?—I learn for the first time that the trustees are endeavouring to adapt their trust so as to enable them to make the payment in conformity with what seems to be the legal contention. That I had not been informed of before. (Mr. *Craik.*) I may say that comes under our notice, not quite in connection with the annual grants, but simply because we are charged with the duties of supervising these endowed schemes in Scotland.

2970. (To Sir *C. L. Ryan.*) Would you not consider it necessary, under the altered condition of affairs, that they should make some alteration in their deed?—I considered that, as the matter now stands, they were not complying strictly with the trust deeds, and therefore it was my duty to call attention to the matter; but if some scheme can be arranged which will bring them into a regular form of payment, my objection will be removed.

Mr. *Arthur O'Connor.*

2971. Is the grant at all in supplement of that which exists by the endowment?—No.

2971*. It is entirely independent of it?—I am not sure that I understand your question.

2972. If the grant is entirely independent of the endowment then the endowment may be properly administered or not without your being concerned about it. But if the grant is in supplement of the endowment you, as paying the supplement, are interested to know that the endowment is properly administered?—But the endowment is administered by different people from those who receive the grant.

2973. Then

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Vote 9.—Public Education, Scotland—*continued.*

Mr. *Arthur O'Connor*—continued.

2973. Then the grant and the endowment are entirely independent?—Our grant to the school board might be increased by the fact that they received an endowment, but they receive the endowment from other people.

2974. You are not concerned with the mode of the administration of the endowment under the trust?—Not as administering the Parliamentary grant at all.

Mr. *Buchanan.*

2975. The amount of the grant to a certain degree depends upon the payment of this 80*l.*?—Yes, upon anything that appears in the accounts as received by the school board.

Mr. *Arthur O'Connor.*

2976. That is only in respect of the amount?—Yes, only in respect of the amount.

Mr. *Buchanan.*

2977. (To Sir *C. L. Ryan.*) Do I understand from you that you considered it was the duty of the Education Department to see that this sum was paid in accordance with the terms of the trust deed?—It was their duty not to bring into their accounts a sum which would not be properly payable under the trust deed, and thereby alter the income of the schooi.

2978. Would you say it was their duty, with regard to all similar payments, to see that they were in accordance with the trust deed?—It is a question of the fees. It is rather technical.

2979. I am afraid I do not quite understand it?—The mode in which this sum is entered would affect the question of the number of scholars paying more than 9*d.* a week. It was under that particular section, so to speak, that it came under my cognisance, and I objected to it.

2980. (To Mr. *Craik.*) With regard to paragraph 2, this decision of the Law Officers is, in your opinion, in accordance with the original ideas of the Scotch Education Act, is it not?—Yes.

2981. With regard to paragraph 3 of the Report, are there any means by which Parliament can ascertain (or is it placed before Parliament) exactly what the sum spent in fee grants is?—We lay the exact sum before Parliament in our Report each year.

2982. I ask the question because in the Estimates we get simply the total. The sum spent (265,000*l.*) always exactly meets the sum asked for; and then, I suppose, the balance is worked off upon these supplementary sums which are given under the Local Taxation Accounts and the other accounts?—Yes; which we are not obliged to surrender to the Treasury. The supplementary sums are not voted by Parliament; they come to us by Act of Parliament.

2983. Should there not be some statement to

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Vote 9.—Public Education, Scotland—*continued.*

Mr. *Buchanan*—continued.

show the actual amount spent upon fee grants?—There is in our Report; it is given most fully there.

2984. Not in the Estimates?—No; because it does not come into the Estimates. It is under the Act of Parliament.

Mr. *Alpheus Morton.*

2985. Does this grant for Public Education, Scotland, cover any sums for additional grants to poor districts?—Yes.

2986. Did you hear the evidence we had just now about the additional grants in England?—I did.

2987. Is there a similar charge in Scotland?—Yes; you will find it at Sub-head F., on page 390.

2988. That is a similar charge to the one we were talking about just now with regard to England and Wales?—It is.

2989. I observe the total spent last year under this Vote was 10,674*l.*; you give more money away in Scotland on that account than we do in England and Wales?—Of course there are very many poor districts in the Highlands.

2990. Is that where most of the money goes?—That is the largest amount.

2991. And you have got a school board in every parish, have you not?—We have a school board in every parish, and that would also increase the amount; and, besides that, the school board has almost the entirety of the children in its schools; there are very few voluntary schools.

2992. Does this Vote cover the charge for the architect?—No; the architect's salary is placed upon the English Vote.

2993. You make use of the same architect in Scotland?—Yes.

2994. Is that advisable?—I can offer no opinion upon that.

2995. Is not that a matter of complaint among the school boards of Scotland?—I think that is a question I can hardly answer.

2996. I want to know why England and Wales pay for your architect?—I cannot offer an opinion.

2997. (To Sir *C. L. Ryan.*) Do you know why the charge for the architect for these Scotch schools is put upon the English Estimates?—I can only pass the salary upon the Vote for which it is provided.

2998. Though it is a Scotch Vote?—There is no charge in the Scotch Votes.

2999. Are you aware that the architect whose salary is charged in the English Vote does duty in Scotland?—No, I am not aware.

3000. I suppose if you were you would object?—I do not think that would come within my functions.

Sir *John Hibbert.*

3001. (To Mr. *Craik.*) In regard to paragraph 4, could not the trustees have an amended scheme

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Vote 9.—Public Education, Scotland—*continued.*

Sir *John Hibbert*—continued.

if they thought proper to apply for one?—They are in process of asking the Court of Session for certain alterations, I understand.

Chairman.

3002. At the end of paragraph 5 of the Report of the Comptroller and Auditor General upon this Vote, in regard to the form of the Fee Schedule, he suggests that the form could be supplemented by a copy of the printed prospectus of the school, and he goes on to say that, having placed himself in communication with the Department, he was informed that their Lordships concurred in this view, and that a circular would be issued to the managers requesting them to comply with this requirement; perhaps this has been done?—It has. In November last we issued a circular asking them to comply with that.

3003. You concur in the opinion that such a thing would be useful?—I think it is useful.

[Mr. *Craik* withdrew.

On Vote 10.

National Gallery, &c., Scotland.

Chairman.

3004. (To Sir *E. W. Hamilton.*) In the concluding sub-section of paragraph 1 of the Report of the Comptroller and Auditor General on this Vote, he says that no information has been forwarded to him under the Exchequer and Audit Departments Acts other than the annual Appropriation Account, and that he is unable consequently to ascertain either that the amount granted has been expended, or that it has been appropriated in accordance with the Sub-heads shown in the Estimate; have you any remarks to make upon that?—Owing to the peculiar circumstances connected with this Vote, it has been held to be like a grant in aid, and therefore exempt from the ordinary process of audit by the Comptroller and Auditor General; but the Treasury have been in communication with the Scotch Office since these observations of the Comptroller and Auditor General, with a view to see whether anything could be done towards meeting his views. They have now been able to inform the Comptroller and Auditor General that the accounts are audited by the Auditor of the Court of Session, whose report is submitted to the Secretary for Scotland, and the Secretary for Scotland will communicate the result not only to the Treasury, but also to the Comptroller and Auditor General, if he should like to see it. I have not heard whether the Comptroller and Auditor General is satisfied with the proposed arrangement.

3005. (To Sir *C. L. Ryan.*) Are you satisfied with what Sir Edward Hamilton has stated?—

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Vote 10.—National Gallery, &c., Scotland—*continued.*

Chairman—continued.

The meaning of the arrangement, so far as I gather, is, that practically the audit of this account is to be conducted by the Secretary for Scotland. I should wish to be relieved from all responsibility in connection with it, as I cannot, under the statute, accept any other audit as relieving me from my functions. If it is decided that this is a grant in aid, and that it does not come within my purview, and that I ought not to audit it, I am quite satisfied; but if that is not the case, I cannot accept the audit of any other officer.

3006. (To Sir *E. W. Hamilton.*) Who is to decide that point?—The Treasury hold that it is a grant in aid, but the arrangement I have mentioned is the means by which they thought the special point made by the Comptroller and Auditor General might be met. I quite understand the line which the Comptroller and Auditor General takes, but the Treasury thought, at any rate, that this special arrangement would satisfy Parliament; that is to say, if it were thought that a mere certificate that the money had been paid over (such as is given in the case of any other grant in aid) was insufficient, they thought this further special Report might satisfy Parliament that the money had been properly spent.

3007. What do you recommend us to report to Parliament; either the Comptroller and Auditor General must audit it or not; is it a public expenditure that falls within the purview of the Audit Department as established by Act of Parliament?—The Treasury view is that this is a grant in aid, and therefore is not subjected necessarily to audit in detail by the Comptroller and Auditor General. Further, if the Committee think that such a cursory audit as that is insufficient, I would point out that this audit, which we propose, will be made by a separate auditor, the results of whose audit will be communicated to the Secretary for Scotland and to the Treasury.

3008. Without the audit of the Comptroller and Auditor General?—Without the audit of the Comptroller and Auditor General.

Mr. *Buchanan.*

3009. Is it not the case that down to quite recent years, down to about 1888, this was a fixed grant that was made to Scotland in the terms of the Treaty of Union, fixed at 2,000*l.* a-year, with 100*l.* a-year extra for the Torrie Collection?—Yes; it was afterwards raised to 2,800*l.*; but it is held to be practically the old grant.

3010. But it is only since it was increased that this question has arisen with regard to audit?—The grant has been raised on more than one occasion from 2,100*l.*

3011. The old form was that it was the amount required to pay the annuity to the Board of Trustees of Manufactures in Scotland,

Appropriation Accounts.

Vote 10.—National Gallery, &c., Scotland—*continued.*

Mr. *Buchanan*—continued.

land, in discharge of equivalents under the Treaty of Union to be applied for the maintenance of certain things, and for exhibiting the Torrie Collection; and that continued down to about 1887; was it not in consequence of the increased grants that were given about that time that the question of audit arose?—I think so; I think it was in consequence of its having been increased from 2,100*l.* to 2,800*l.*, and there having been more than one sub-head, including the picture grant, that the Comptroller and Auditor General raised the question. I believe if it had remained 2,100*l.* only as the original grant in aid, the Comptroller and Auditor General would not have raised the point he has raised.

3012. (To Sir *C. L. Ryan.*) Is that the case?—That is so.

3013. Was there not this also with regard to the second sub-head, "Superannuation Annuity," that it was really under another Vote (the Superannuation Vote) formerly?—It was.

3014. Is not that audited now?—No part of this grant is audited at all.

3015. You consider that it ought to be submitted to your audit under the Exchequer and Audit Act as being a grant in aid?—I think so, unless it is a distinct grant in aid. The conditions have altered, the amount has been increased, and it has been defined under separate sub-heads; and, taking all that into consideration, it appeared to me right to raise the question again whether this increased amount is to be passed, practically, without any audit so far as Parliament is concerned. The subsequent arrangements were not before me at the time this Report was written.

3016. As long as it was entered in the Estimates as an Estimate to meet the equivalents granted under the Treaty of Union, you considered it did not necessarily come under your audit?—That is so.

3017. When it appeared, as it does now, as a grant in aid, you thought it should have been audited by you under the terms of the Act?—It seemed to raise a question.

3018. With regard to the audit which has been suggested of the Court of Session, what would your view be?—I have no authority to accept any delegation in point of audit.

3019. (To Sir *E. W. Hamilton.*) So far as the opinion of the Treasury goes you would accept that audit as satisfactory and adequate?—Yes, as sufficient to meet the circumstances.

Mr. *Arthur Williams.*

3020. (To Sir *C. L. Ryan.*) At present there is no means of ascertaining what has been done with the money?—I have no means. I do not know what is done; at all events no vouchers are furnished to me.

3021. And in the return there is nothing to show how the money has been spent?—No, so far as I am concerned.

Appropriation Accounts.

Vote 10.—National Gallery, &c., Scotland—*continued.*

Mr. *Philip Stanhope.*

3022. (To Sir *E. W. Hamilton.*) Supposing the Committee were to report that they thought this account ought also to come under the purview of the Comptroller and Auditor General, and that this audit, at secondhand, so to speak, was inconvenient, do you see any objection on the part of the Treasury?—I do not think the Treasury would raise any objection. An objection might be raised by the Board of Manufactures. Of course, as the honourable Member knows, an ordinary grant in aid does not come under the purview of the Comptroller and Auditor General.

Mr. *Alpheus Morton.*

3023. (To Sir *C. L. Ryan.*) Your opinion is, that all these matters ought to be audited by you under the Act of Parliament?—It is clear that every grant of Parliament falls within the scope and intention of the Exchequer and Audit Act which is not specially exempted from it.

3024. Nearly half this money has nothing to do with the Treaty of Union at all, has it?—I cannot tell you how the money has been spent; I know nothing about it.

3025. So far as your information goes the Treaty only refers to 2,100*l.*?—Yes.

3026. Therefore, the other 1,900*l.* clearly comes under the Act of Parliament?—That, of course, is the question that is at issue.

3027. But that is your opinion?—That would be *primâ facie* my opinion.

3028. Is it not the fact, as appears from reading your Report, that the money is spent now in a different way altogether from that referred to in the Treaty of Union?—If I get no vouchers I can form no real opinion upon it.

3029. You say in one of the paragraphs of your Report that "under the Act of Union this sum was required to be applied towards promoting the fisheries and wool and other manufactures in Scotland." It is not spent for that purpose now, is it?—I cannot say how the sum is spent if I do not see the details of it.

3030. You say, practically, in your Report that it is not?—No, I do not think I say that, because I say I have not had any details or vouchers.

3031. Do you not say that the 2,000*l.* annuity now goes "towards the purpose of 'education in the fine arts generally'"?—It should do so under the Act 10 & 11 Vict. c. 91; but I have only a general knowledge of the facts from the statement on the Vote. I have no real knowledge.

3032. From your general knowledge, it is not spent under the Treaty of Union at all, is it?—From the general statement I think it is not; but I am not able to go any further.

Mr. *Arthur O'Connor.*

3033. (To Sir *E. W. Hamilton.*) I suppose that, with regard to the 2,100*l.*, the Treasury, at all events, would not consider that anything more was necessary than the simple receipt of the Accounting Officer for the sum paid?—That is so.

Appropriation Accounts.

Vote 10.—National Gallery, &c., Scotland—*continued.*

Mr. *Arthur O'Connor*—continued.

3034. That 2,100*l.* may be spent in any way at the discretion of the recipients?—No; but they do not have to vouch for their expenditure.

3035. Just as the Commissioners of Northern Lights might spent any money they got?—Quite so.

3036. With regard to the 200*l.* for superannuation annuity, do you consider they are bound to appropriate that for superannuation services, or are they entitled, in the view of the Treasury, to spend that similarly in any way which appears good to them?—No; the Treasury would hold that they are bound to use that for superannuation services only.

3037. They are bound down to a certain degree of appropriation?—Yes; the honourable Member will understand that the position of the Government, with regard to the Board of Manufactures, is rather a difficult one.

3038. With regard to Sub-head C., are the gentlemen entitled to spend that 1,000*l.* in anything else but the purchase of pictures?—No, certainly not. They would be bound under the two Sub-heads B. and C. to spend those amounts on the objects specially named under those sub heads.

3039. How are you to know, from a simple receipt for 4,000*l.*, that 1,000*l.*, as a minimum sum, is devoted to the purchase of pictures, and that 200*l.*, as a minimum sum, is devoted to superannuation?—I admit that has been a difficulty; but we shall meet that now by seeing this detailed audit on the part of the auditor of the Court of Session, which will be presented to the Secretary for Scotland, and the result of which the Secretary for Scotland will show to the Treasury.

3040. With regard to the 250*l.* supplementary, I suppose that was only given on cause shown?—It was an additional grant specially in order to erect some new buildings.

3041. Exactly; it was given for a specified purpose?—For a specific purpose.

3042. Does not that admit of audit?—Yes, I admit that. The difficulty of our position is that, on the one hand, it is not quite like an ordinary grant in aid, and, on the other hand, it is very difficult for us to require this independent body to subject itself to an audit by the Comptroller and Auditor General.

3043. Would there not be a very easy way of settling that by giving them this 2,100*l.* and simply withholding the rest of the Vote?—We might try and negotiate with them on that basis, but we cannot dictate terms to them.

3044. But the Public Accounts Committee might object to public money being voted apparently for a specified purpose and appropriated in some unknown manner?—Certainly.

Appropriation Accounts.

Vote 10.—National Gallery, &c., Scotland—*continued.*

Sir *John Hibbert.*

3045. I understood you to say that because it is a grant in aid it was not subject to the Comptroller and Auditor General's audit; is that the case with all grants in aid?—I think I am right in saying that it is the case with all grants in aid.

3046. What cases have we amongst the English Votes of grants in aid; the National Gallery would be a case, I presume?—Yes; and, I think, part of the British Museum Vote.

3047. Are those accounts, the British Museum and National Gallery, not audited by the Comptroller and Auditor General?—The Comptroller and Auditor General accepts a certificate, I believe; that is all.

3048. (To Sir *C. L. Ryan.*) Is that the case?—Not with regard to the National Gallery. With regard to the Pictures Vote, I ascertain the exact amount that is spent; I get a certificate from the bank as to the amount unspent; that particular sub-head is allowed to be carried over, but it is not exempt from examination.

3049. Do they show the vouchers to you?—They show the vouchers.

3050. Of course, that puts that Vote in a different position from this where you see no vouchers at all?—I will not say there are no grants in aid, but there are very few, that stand in this position; because, in most of the grants in aid (for instance, the Mercantile Marine Fund and so on), the subsidiary accounts do come to me and are audited by me. (Sir *E. W. Hamilton.*) I think the most cognate Vote to this is Vote 7, Universities and Colleges, Great Britain, and Scientific Investigation (Vote 6).

Mr. *Buchanan.*

3051. (To Sir *C. L. Ryan.*) With regard to the grant in aid in the case of the National Gallery, I see it is entered in the National Gallery Vote "Sub Head B., Purchase of Pictures (Grant in Aid)," and it appears that the expenditure always exactly equals the grant?—Yes, because the amount is paid over to a separate bank, but the details do come before me.

Sir *John Hibbert.*

3052. They can accumulate any money that is not spent?—Yes, that is the arrangement.

3053. But they show you the vouchers?—They show me the vouchers, and I know exactly what has been spent, and what the balance is.

Mr. *Bartley.*

3054. Take the case of the Metropolitan Fire Brigade; there was a grant of 10,000*l.* a-year; is not that a similar grant in aid?—I know nothing about the Fire Brigade.

3055. You simply take their receipt?—Yes.

3056. That would be similar to this case?—That would be similar to this case, only that the Metropolitan

Appropriation Accounts.

Vote 10.—National Gallery, &c., Scotland—*continued.*

Mr. *Bartley*—continued.

tropolitan Fire Brigade is a grant *en bloc*, whereas this is a grant with what I may call appropriation in regard to the sub heads.

3057. That has only become so recently?—Yes; but this question has only been recently raised.

Sir *John Hibbert.*

3058. In regard to the Scotch National Gallery Vote, taking Sub-head C. "Purchase of Pictures," that is a grant in aid, is it not?—The whole is a grant in aid as it now stands.

3059. I am referring specially now to Sub-head C. in this Vote; that is a grant in aid; would it not be in exactly the same position as the grant in aid for pictures in the National Gallery in England?—It is not so now.

3060. Why should it be in a different position?—That is my contention; I do not see any reason for the difference there.

3061. You contend it should be treated in the same way?—I should contend myself that the 2,550*l.* may be taken as a grant in aid pure and simple; but with regard to the others which are grants in aid with appropriations, they should be followed.

3062. At the end of your letter, printed on page 398, you say that the Board of Manufactures presents a report yearly to the Queen, which is either sent through the Treasury or the Secretary for Scotland; does that Report ever come before you?—No.

Chairman.

3063. (To Sir *E. W. Hamilton.*) Does it come to the Treasury?—I am not aware that it comes to the Treasury.

Mr. *Buchanan.*

3064. You said that the Board of Manufactures might spend this 2,000*l.* in any way they please; surely that is not the case; they are bound by statute to spend it for certain purposes. The old form of the Vote was: "In discharge of equivalents under the Treaty of Union to be applied in the maintenance of the National Gallery, School of Art, and Museum of Antiquities, Scotland, and for exhibiting the Torrie Collection of Works of Art, and other purposes;" and then they quote the various purposes, and refer to various Acts of Parliament?—I stated it too strongly if I said they could spend it as they pleased. I knew there were certain specific purposes. I did not know they were bound to spend it upon the National Gallery and the School of Art.

3065. From time to time by various statutes the appropriation of this sum has been determined, has it not; it was originally for promoting fisheries and other manufactures, as stated in the Report, and from time to time it was appropriated to different purposes?—The Committee will understand that the Treasury have

Appropriation Accounts.

Vote 10.—National Gallery, &c., Scotland—*continued.*

Mr. *Buchanan*—continued.

not the smallest objection to subjecting this Vote to a strict audit, only we do not want to get the Treasury into collision with the Board of Manufactures.

Mr. *Alpheus Morton.*

3066. The Treasury do not object at all to the Comptroller and Auditor General auditing this account properly?—Certainly not; they have not the slightest objection.

Mr. *Philip Stanhope.*

3067. Have you any reason to suppose that the Board of Manufactures would object to it?—We have had a correspondence which shows that they would probably take exception.

3068. Supposing a very strong recommendation came from this Committee, do you think the Board of Manufactures would put themselves in opposition to an expression of opinion by this Committee and the Treasury?—We should hope they would not, but they are an independent body.

Mr. *Arthur Williams.*

3069. I do not quite understand what you mean by calling them an independent body?—I mean they are not a Government Department.

3070. They are a body to whose funds under statutory obligation, as I understand this grant in aid is made, and has been made for a very long period?—Yes.

3071. The grant was originally made on the understanding that it should be appropriated to certain specific purposes?—That is so.

3072. Those purposes have been varied by statute, but they still are specific purposes, as I understand. Surely that is the condition upon which the grant has been made, that it should be applied in that way. The country paying this sum (call it a Treaty obligation if you like), surely in the relations that exist between this country and Scotland, the Government of this country is entitled to ask for vouchers in respect of this grant?—I think it is a very reasonable contention on the part of the honourable Member.

3073. Might we not fairly say to this body, "Unless you are prepared to produce vouchers for our auditor, we cannot continue to pay the money"?—I quite admit that is a very reasonable contention except as regards the original annuity of 2,000*l.*; I cannot answer as to the line the Board of Manufactures might take.

Mr. *Buchanan.*

3074. There is no suggestion that this money has not been most properly spent?—No; no suggestion of any sort.

3075. (To

Appropriation Accounts.

On Vote 11.

Public Education, Ireland.

Chairman.

3075. (To Sir *E. W. Hamilton.*) In the last sub-section of paragraph 3 of the Report of the Comptroller and Auditor General on this Vote, he states that a certain expert was employed, not in instruction of pupils at the Glasnevin and Munster Farms, but in improving the butter industry throughout Ireland; a special service for which no provision was made in the Estimate, nor could apparently be made with propriety under Sub-Head F. 2 of this Vote, which seems to provide only for the instruction of pupils at the "Albert Agricultural and Dairy Training Department, Glasnevin." Have you any remarks to make on that?—The Treasury thought, under the circumstances, this was on the whole the best Sub-head and Vote on which to charge this expense; but I think it would have been well if there had been a special note appended to the account to draw the attention of the Comptroller and Auditor General and the Committee to the fact that this had been done.

3076. Do the Treasury consider that the employment of this gentleman comes within the four corners of the Vote?—We thought, on the whole, it was an educational purpose, and, therefore, this was the most reasonable Vote against which to charge it.

3077. That is to say, you thought it did come within the four corners of the Vote?—Yes.

3078. Therefore you might put it under what head of the Vote you thought fit?—Yes.

3079. In the middle of paragraph 6 of the Report, the Comptroller and Auditor General refers to a question which has arisen with the Commissioners regarding the average attendance in schools; and he says he was informed that the "definition of the English Acts does not apply to Ireland, and that, in point of fact, there was no model or ordinary national school in Ireland in which, prior to the Irish Education Act coming into operation, the average fee payable by the scholars was in excess of 9*d.* a week." The latter statement is said by the Commissioners to be "based on an investigation of the attendance of schools and receipts of school fees for the year 1891," a statement which the Comptroller and Auditor General is unable to verify; and he concludes by saying that, accepting the Commissioner's statement above referred to, the correctness of which he sees no reason to doubt, he has thought it unnecessary to propose that the question be referred to the Law Officers of the Crown; have you any remarks to make upon the whole of that question?—I think it will be best if the Committee will allow me to read the remarks I have had sent me by the Resident Commissioner himself, Sir Patrick Keenan, upon this paragraph of the Comptroller and Auditor General's Report. He says: "I have to remark that returns of the average daily attendance of pupils and of the school fees received by the teachers at the

Appropriation Accounts.

Vote 11.—Public Education, Ireland—*continued.*

Chairman—continued.

national schools severally for the year 1891, were obtained, duly certified by the teachers and managers, and these returns have undergone the most careful check of the inspectors, and any inaccuracies therein have been rectified. Upon the basis of the average rate of fees in each school for that year, the Commissioners have determined what schools may still charge an average school fee (the excess above 6*s.* charged in 1891), and what schools are absolutely free. The number that may still charge fees is 1,071. About 7,400 schools are absolutely free. Nothing could be more assured than the basis on which the average rate of fees in 1891 was determined. The fact that no national schools in Ireland had an average rate of fee amounting to 9*d.* per week was ascertained on examination of the checked returns. There was a general diminution in school fees in 1892 owing, in the earlier part of the year, to the universal anticipation that fees were about to be abolished by the Act; and, in the latter part of the year, to their actual abolition in whole or in part from 1st October 1892."

3080. (To Sir *C. L. Ryan.*) Have you any further observation to make upon this point?—No, I have nothing more to say than what is stated in the Report.

3081. What is the meaning of this phrase in your paragraph where you say, you "have thought it unnecessary to propose that the question be referred to the Law Officers of the Crown;" had you at one time thought that it might be necessary?—It might have been necessary, possibly, to get a legal definition with regard to Ireland in this matter of the fee; but taking the statements made by the Commissioners I did not think it necessary to press the point in any way. With regard to the question of fees, and so on, we have had legal opinions in the case of Scotland and England, and it was a question whether it would also become necessary in Ireland or not.

3082. On the whole, you accept the Commissioner's view?—Yes, I accept the Commissioner's statements.

3083. So far you are satisfied?—Yes.

Mr. *Webb.*

3084. With regard to paragraph 3 of the Comptroller and Auditor General's Report, is not the money there referred to paid with Treasury approval, in accordance with the terms of the letter from the Assistant Under Secretary for Ireland?—Yes; it is with Treasury sanction.

3085. Does not that letter justify its payment; the letter says that, "His Excellency had obtained . . . the services of a practical dairyman, whom it is proposed to employ in visiting and inspecting the creameries and butter factories;" and then, lower down, that "he proposed to use the existing organisation of the National Educational Board of Glasnevin in utilising the services of this expert." From that letter is it not apparent that it is allowable to spend this money

in

Appropriation Accounts.

Vote 11.—Public Education, Ireland—*continued.*

Mr. *Webb*—continued.

in the creamery and butter factories in Ireland under this sub-head?—That is the view of the Treasury, but of course it is a question upon which I am bound to satisfy myself under the Act that it does fall within the four corners of the Vote. The Treasury letter is not an instruction that I can abide by.

Mr. *Alpheus Morton.*

3086. (To Sir *E. W. Hamilton.*) On page 399, under Sub-head E., National Schools, can you tell me whether the sum of 633,062*l.* 11*s.* is all paid direct to the teachers?—I am afraid I cannot answer the honourable Member.

3087. (To Sir *C. L. Ryan.*) Do you know whether that is so?—I cannot answer as to the detail.

3088. (To Sir *E. W. Hamilton.*) You do not know whether it is paid to the teachers or to the managers?—It would be to the teachers, I presume.

3089. Is there no one who can answer the question as to what is the practice in Ireland with regard to that expenditure?—I am told that it is all paid to the teachers.

3090. Is it not the fact that you have done away with that practice in England and Wales as being a bad one?—I am not aware.

3091. Is it not a fact that it is all paid to the managers in England?—I am afraid I cannot say.

3092. Is there no one here who can give any information with regard to this matter except what you have given me?—I am afraid not.

Mr. *Arthur O'Connor.*

3093. But in Ireland everything is under a centralised system, is it not?—I admit that the system is entirely different in Ireland from what it is in England.

Mr. *Alpheus Morton.*

3094. We used to pay it to the teachers in England, did we not?—I am afraid I cannot speak as to that.

Sir *John Hibbert.*

3095. (To Sir *C. L. Ryan.*) As I understand from paragraph 3 of your Report, your objection with regard to this money used for the service of a dairyman who was engaged, is, that he was not used for the instruction of pupils, but for the improving of the butter industry generally?—Yes.

3096. Had he been used exclusively for the instruction of pupils I presume you would not have drawn any attention to it?—Certainly not. The question, to my mind, was whether it came within the four corners of the Vote, the money having been applied, not to the instruction of pupils, but to outsiders who were not pupils.

Appropriation Accounts.

On Vote 13.

National Gallery of Irrland.

Mr. *Arthur O'Connor.*

3097. (To Sir *C. L. Ryan.*) With regard to the National Gallery of Ireland, there is a complete audit, is there not?—An absolutely complete audit.

3098. It is not treated as a grant in aid?—No part of it is treated as a grant in aid.

On Vote 14.

Queen's Colleges, Ireland.

Chairman.

3099. (To Sir *E. W. Hamilton.*) In the last sentence of paragraph 2 of the Comptroller and Auditor General's Report upon this Vote, after remarking that the age-time arrangements for the future are satisfactory, he proceeds to say that the "President of Queen's College, Galway, who is beyond the age of 70 years, and whose case was specially noticed in the last clause of the paragraph of my Report for the year 1891–92, appears still to be drawing full salary;" I presume there are special reasons for that?—The fact is, that the Treasury and the President and Professors of the Queen's Colleges are at loggerheads upon this point as to whether they are within the scope of the Order in Council. A case has been drawn up quite recently and submitted to the Law Officers in this country, and we have not yet had their opinion.

3100. Shall we know what that opinion is in time for our Report?—Yes, I think it is quite possible. The case was submitted to them a few weeks ago, and I think we may be able to furnish the opinion of the Committee very shortly.

Mr. *Arthur O'Connor.*

3101. Had it been previously submitted to the Irish Law Officers?—I rather think it was submitted to the Irish Law Officers; I am speaking without authority at the moment.

3102. Do you know what the substance of their opinion was?—I am not certain whether they gave any opinion at all, still less what their opinion was.

3103. Why cannot the opinion of the Irish Law Officers be taken as decisive upon the matter?—That is a point upon which I am unable to express an opinion.

3104. It is under a statute which relates exclusively to Ireland, is it not?—It may be so; I am not exactly acquainted with the contention which the professors take.

3105. The interests of these professors are under the terms of Acts which relate exclusively to Ireland; is not that so?—I believe that is the case.

Appropriation Accounts.

Class V.

Foreign and Colonial Services.

On Vote 1.

Diplomatic and Consular Services.

Mr. Henry A. W. Hervey, called in; and Examined.

Chairman.

3106. In paragraph 6 of the Comptroller and Auditor General's Report upon this Vote, in regard to Sub-head O., Compassionate Gratuities under which sub-head are included two extra statutory allowances granted under Treasury letters, of 21st January and 25th April 1890, he says he is of opinion that the details of these gratuities, should have been stated with greater fulness in the Appropriation Account instead of being given as a cause of variation between the estimate and expenditure; have you any remarks to make upon that point?—The suggestion of the Comptroller and Auditor General has been carried out, and a note has been made in the Estimates for the present financial year.

3107. (To Sir *C. L. Ryan.*) Are you satisfied with that explanation?—Yes.

3108. (To Mr. *Hervey.*) In the last sentence of paragraph 10 of his Report, the Comptroller and Auditor-General states he has been informed that, owing to the pressure of Parliamentary business, the Departmental Committee nominated to report upon the question relating to the compulsory retirement of officers in the consular service has not yet found it possible to meet; can you explain to the Committee why this Departmental Committee has not met?—The Committee which it was proposed should meet, was to consider a great many complicated questions arising out of the Report of the Royal Commission. It was to have met when Parliament rose, and the Secretary of State thought there had not been a sufficient Recess to enable them to consider all the questions that the Committee were to consider, and he therefore wished them to wait for a longer interval in order that they might consider the whole subject, and not take little bits at a time.

3109. Has the Committee yet begun to sit?—No, it has not met yet.

3110. Will it meet?—It is to be hoped so, when there is a substantial Recess. I think the Treasury concur in the view of the Secretary of State. (Sir *E. W. Hamilton.*) It was thought very difficult to conduct the proceedings of this Committee during the Session of Parliament. It was thought there would be more time for the Committee's labours if they waited till Parliament was up.

3111. (To Mr. *Hervey.*) In paragraph 12 you will observe the remark of the Comptroller and Auditor General to the effect that the causes of variation between the grant and the expenditure

Chairman—continued.

are not explained by the notes given; and, with reference to one of these notes, he goes on to say, "the note appended hardly appears to carry out this direction," that is, that the account "should convey some indication of why the costs are recoverable, and why others are not recovered." Have you any explanation to offer with regard to this point?—Attention was called to the charges for costs in the case of Regina *v.* Colborne; I may say those were costs that were allowed by the judge, and some doubts arose as to whether those costs ought to have been allowed, or whether they ought not. It is a very complicated question. It was considered that, although those doubts might reasonably have existed, there was not sufficient ground to controvert the judge's decision; in fact, it was not known how the costs could have been recovered from the judge who had allowed them in this particular case. It was considered that the note which was appended carried out what was intended to be done; it explained that those doubts had arisen, and had been considered.

3112. (To Sir *C. L. Ryan.*) Do you wish to make any remark upon this point after what Mr. Hervey has just said?—I do not wish to make any further remark; all I suggested was that the explanation given in the account was hardly sufficiently full.

3113. (To Mr. *Hervey.*) Will you make the explanation more full in future?—I think the case will not arise in future. It is a very difficult case to deal with, the judge having allowed these costs.

3114. You consider that this case is very special and exceptional, and not likely to recur?—Quite so.

3115. In paragraph 16 the Comptroller and Auditor General states, in regard to the fees in Nyassaland, that those fees have been appropriated towards the cost of building a Court House at Blantyre instead of being brought in aid of the Consular Vote; have you any remark to make upon that?—It was done with the sanction of the Treasury, as a special case.

3116. (To Sir *E. W. Hamilton.*) Do the Treasury consider that this came within their functions and within the four corners of the Vote?—The Treasury dealt with this in their Minute last Autumn, in relation to the Report of the Committee of Public Accounts last year, in which they said, "The question of the consular

13 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Hervey. [*Continued.*

Appropriation Accounts.

Vote 1.—Diplomatic and Consular Services—*continued.*

Chairman—continued.

sular fees at Blantyre has now been settled. Their Lordships having, by letter of the 22nd June last, given covering sanction to the appropriation of the fees, &c, received up to 31st December last, towards the erection of Judicial Buildings in the British Central Africa Protectorate on the condition (concurred in by the Secretary of State) that all such receipts collected subsequently to that date should be carried to the public account like consular fees."

3117. (To Sir *C. L. Ryan.*) Have you any remarks to make upon this point?—The question of course is whether these fees were properly diverted, and I see no reason to alter the views which are expressed in this paragraph, which I think are to a considerable degree concurred in by the Treasury themselves in their letter, which is printed on the top of page 436.

3118. Then, on the whole, as I gather, that you consider the course adopted in this instance was not quite correct?—I think it was certainly an exceptional course, to use the mildest term.

3119. Do you think it was justified by the circumstances, so far as you can judge?—I do not know that I am able to judge of the circumstances sufficiently.

3120. (To Sir *E. W. Hamilton.*) Have you anything to add on behalf of the Treasury?—There is a Treasury letter of the 24th February 1893 appended to this Report, in which reference is made to the difficulties as to the financial control to be exercised over the Commissioner in regard to the initiation of expenditure, and the audit of his accounts.

3121. We may consider this as a special case with which the Treasury had to deal?—Yes, a special case.

Mr. *Philip Stanhope.*

3122. (To Mr. *Hervey.*) In this particular year which we are discussing, there is not so much interest in going into details with regard to the special missions which appear on Vote 1, because a very small portion of the expenditure on Sir Gerald Portal's Mission to Uganda will come into account in that year?—A very small portion.

3123. Is it intended in future to give more detailed information upon that particular item; is it to form a separate item, or will it be grouped with "Special Missions"?—It was always intended to give a detailed statement showing exactly how the sum voted for each special mission has been spent; but in the year now under consideration details came in very late; it is very much to be regretted they were not sent in time to be appended to the Comptroller and Auditor General's Report.

3124. In future that will be done?—In future that will be done.

Appropriation Accounts.

Vote 1.—Diplomatic and Consular Services—*continued.*

Mr. *Arthur O'Connor.*

3125. With regard to Sub-head (d) of paragraph 5 of the Comptroller and Auditor General's Report, with regard to the British East Africa Company, it is there stated that the Treasury remark, in a letter to the Comptroller and Auditor General, "Nevertheless the company should be asked to furnish Her Majesty's Government eventually with a certified statement of the actual cost to them of the prolonged occupation of Uganda, divided under leading heads, and to agree that should this cost prove to be less than the grant in aid paid to them" (that is the 10,000*l.*), "the difference will be repaid by them to the Foreign Office." Have you seen such a certificate?—No. A communication was made to the company, and they reported on the 19th March that as soon as the accounts were received they would furnish the statement required. They were again reminded a very few days ago that the accounts had not come in, and they replied, I think, this morning, saying that the delay in furnishing the statement was owing to sickness amongst clerks who dealt with their accounts.

3126. That reply is received in June 1894, and the account refers to the year ending 31st March 1893?—Yes; they have been a long time getting in the accounts.

3127. The Treasury has parted with the 10,000*l.*?—They have granted the 10,000*l.*; it is a grant in aid.

3128. The money has been paid; the company has got it?—Yes.

3129. And the company has not complied with the condition under which it was granted?—There is still a sum hanging in suspense.

3130. Has the company complied with the condition under which it was given?—I do not think the condition was made till the money was paid. It was not a preliminary condition, I think. Sir Edward Hamilton will correct me if I am wrong. (Sir *E. W. Hamilton.*) I think not.

3131. Did the Treasury really think they would ever see any of that 10,000*l.* back again under any conceivable circumstances?—I do not think there was any idea of that.

3132. Then what was the use of asking that if the certificate did not show at least that expenditure, the difference would be repaid by the company to the Foreign Office?—The idea of the Treasury was that some account should be rendered by the company of how the money was spent.

3133. But they contemplated, did they not, that the Department might be repaid?—I am afraid I am not aware of the arrangement that has been made between the Government and the company.

3134. This emanated from the Treasury, did it not?—Yes.

3135. The Treasury's authority was necessary for the payment of the 10,000*l.*?—Certainly.

13 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Hervey. [*Continued.*

Appropriation Accounts.

Vote 1.—Diplomatic and Consular Services—*continued.*

Mr. *Arthur O'Connor*—continued.

3136. The company got the money?—Yes.

3137. The company has not paid any back?—Not that I am aware of.

3138. And it has not made any statement as to what its expenditure has been?—No. (Mr. *Hervey.*) The company made a claim for something more.

3139. I make no doubt of it. You said something some few minutes ago about the case of the Queen *v.* Colborne; perhaps you could remember sufficiently accurately to reproduce what you did say; what was the nature of the action?—It was a criminal proceeding against Colonel Colborne for perjury arising out of a libel action. He was prosecuted for perjury and convicted, and the judge allowed certain costs to the party who set the prosecution in motion.

3140. That would have been in the Superior Court, I presume?—It was in the Superior Court in Alexandria.

3141. What was the end of it?—The end of it was that the judge having allowed these costs, we saw no means of saying that the money should be recovered from the judge.

3142. That is what I wanted to ask you about. What is the principle or ground of contention under which it is sought by the Department to recover costs from a judge who awards costs?—I am afraid I cannot say; I do not know upon what principle it could be recovered.

3143. How did the notion originate; who suggested it; did the Foreign Office suggest it?—No; I think the Treasury were under the impression that the costs could be recovered.

3144. At any rate the Foreign Office repudiate the suggestion?—The Foreign Office do not see how the money can be recovered from a judge who, in the exercise of his discretion, has given costs.

3145. From what Department of the Civil Service did such a suggestion emanate; it did not come from the Foreign Office, I understand; do you say it came from the Treasury?—I think there was an impression at the Treasury that it might be recovered.

Mr. *Arthur Williams.*

3146. You cannot make a judge pay the costs out of his own pocket, who, in the proper exercise of his discretion, has awarded costs?—No.

Mr. *Arthur O'Connor.*

3147. I want to know where the suggestion emanated from; it certainly was not the contention of the Comptroller and Auditor General, and you say it was not the Foreign Office?—Quite so.

3148. (To Sir *E. W. Hamilton.*) Do you admit that such a suggestion emanated from the Treasury as that you should recover from the judge costs he had awarded, acting in his judicial capacity?—I am not aware that such a suggestion emanated from the Treasury. Perhaps I might show the honourable Member the correspondence; I have it here.

3149. It was only just that one point I wished to elicit, as to where the suggestion emanated from?—The Treasury acted upon the opinion of the Law Officers. I am afraid I am not well acquainted with the details of the question.

Chairman.

3150. At the end of paragraph 19 of the Comptroller and Auditor General's Report, in regard to the Seamen's Hospital at Smyrna and Constantinople, he states that, in answer to an inquiry as to whether any decision had been arrived at, he had been informed that his letter had been referred to the Treasury; has the Treasury done anything upon that letter?—Since the Comptroller and Auditor General's Report was written, the Treasury and the Foreign Office have considered all the charges in respect of these hospitals, and the conclusion they have come to is that they should be removed from the Vote, and that the hospital dues should be formed into a separate fund; but the change cannot be effected till the next year's Estimates.

Mr. *Arthur Williams.*

3151. (To Mr. *Hervey.*) In paragraph 17 of the Comptroller and Auditor General's Report, you will observe that Mr. Mathews was appointed Commissioner and Consul General in the British Sphere in East Africa on the 1st February 1891?—Yes.

3152. He obtained certain payments amounting, in the aggregate, to 516*l.*, which is charged in the Account for 1891–92, but he "seems never to have taken up his post at Mombasa," and he has subsequently passed into the service of the Sultan of Zanzibar?—I think it is a misapprehension to suppose that he never took up his post. The fact is, he went out and took up his post, and after he had taken up his post, he was lent to the Sultan of Zanzibar. All this outfit was given to him to take up his post, which he did take up. He actually entered upon his duties there.

3153. He seems to have got a large sum of money out of the Treasury?—He had expenses to incur in order to go out to his post.

3154. Has anything been heard of him since?—Yes; he has been lent to the Sultan of Zanzibar, and whilst he is lent to the Sultan of Zanzibar he gets no pay.

Sir *John Hibbert.*

3155. Was any attempt made to get this money back from Mr. Mathews?—No.

3156. Why not; he never seems to have given any service, has he?—Yes. He did go out

Appropriation Accounts.

Vote 1.—Diplomatic and Consular Services—*continued.*

Sir *John Hibbert*—continued.

out to his post and took up the duties of his post.

3157. It is stated here that "he seems never to have taken up his post at Mombasa"?—That is a misapprehension. He was appointed on the 1st February, and he reached Zanzibar on the 4th September. It was a long time before he was sent out; but was on half pay before he was sent out.

Mr. *Arthur O'Connor.*

3158. He was always ready and willing to do any work he was called upon io do?—Yes.

On Vote 3.

Colonial Services (including South Africa).

Chairman.

3159. (To Sir *E. W. Hamilton.*) At the end of paragraph 7 of the Report of the Comptroller and Auditor General on this Vote, he states that he deemed it advisable to communicate with the Treasury in regard to a question relating to Cape Town, but that although communication was dated the 24th November 1893, he had not received any reply at the date of the Report. I daresay you have since sent a reply?—Yes; the reply has gone since that; it was sent on the 1st March.

Appropriation Accounts.

Vote 3.—Colonial Services (including South Africa)—*continued.*

Chairman—continued.

3160. (To Sir *C. L. Ryan.*) Was that reply satisfactory?—Yes, I think so. It gives Treasury sanction to the arrangement.

On Vote 6.

Behring Sea Sealers' Compensations.

Chairman.

3161. (To Sir *E. W. Hamilton.*) At the end of paragraph 1 of the Report of the Comptroller and Auditor General upon this Vote, he states that he does not see any reason why the Treasury should not obtain and furnish to his Department properly certified periodical statements, showing the progress of distribution, in order that the ultimate surrender of the unexpended balance, if any, may be duly kept in view; have you done that, or are you able to do it?—I can see no objection to our doing so. The distribution is not yet completed.

3162. May the Committee understand that you will have that done?—Yes, certainly.

3163. (To Sir *C. L. Ryan.*) Are you satisfied with that?—Yes.

[The Witnesses withdrew.

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A P P E N D I X.

APPENDIX, No. 1.

PAPER handed in by Sir *E. W. Hamilton*, K.C.B., 6 June 1894.

TREASURY MEMORANDUM, with reference to the observations of the Comptroller and Auditor General in paragraph 5 of his General Report upon the Appropriation Accounts of the Civil Services and Revenue Departments for the year 1892–93 (p. vi), on the subject of the application of Extra Receipts as Appropriations in Aid of Exchequer Grants.

By Section 2 of the Public Accounts and Charges Act, 1891, statutory power has been given to the Treasury, in general terms, to direct the application of Extra Receipts as Appropriations in Aid of money provided by Parliament for the various Services, but the Comptroller and Auditor General points out that while the Appropriation Act of each Session brings together and limits the appropriation of the sums granted out of the Consolidated Fund for the expenditure of the financial year, there is at present no Parliamentary recognition or limitation of the further sums which (under the power just mentioned) are shown in the Estimates as intended to be applied in aid of—that is, in addition to—the Exchequer Grants.

With a view to meet the point thus raised by the Comptroller and Auditor General, it is proposed to amend the Appropriation Act, as under, viz. :

(1) To insert after the second paragraph of Section 3 "Appropriation of Grants," the following words :—
"*In addition to the sums hereby granted out of the Consolidated Fund, there may be applied out of any moneys directed under Section 2 of the Public Accounts and Charges Act*, 1891, *to be applied as Appropriations in Aid of the Grants for the services and purposes specified in Schedule B., annexed hereto, the sums respectively set forth in the last column of the said Schedule.*"

(2) To set out, in an additional column, in the Schedule which appropriates and limits the amounts of the Grants in Supply, the several sums intended to be applied in aid of those Grants, as specified in the Estimates of the various Services upon which the Grants have been based. For this purpose the Schedule would be in the following form :—

(The additions are shown in *italics*.)

Schedule B. Part Navy.

Schedule of sums granted, *and of the sums which may be applied as Appropriations in Aid, in addition thereto*, to defray the charges of the Navy Services herein particularly mentioned, which will come in course of payment during the year ending on the 31st day of March 1895 :—

	Sums not exceeding.	
	Supply Grants.	*Appropriations in Aid.*
	£.	£.

By the course proposed statutory authority will be given year by year for the application of sums "*not exceeding*" the amounts shown in the Estimates ; and the effect will be to limit the spending authority of the Departments, as regards the Appropriations in Aid, in the same manner as it is now limited as regards Exchequer Grants.

This proposal has the concurrence of the Comptroller and Auditor General. It has also been submitted to the financial authorities of the House, who, as regards the form of the proposal, see no objection to its adoption.

APPENDIX, No. 2.

PAPER handed in by the *Chairman*.

Dear Sir Richard, House of Commons, 14 June 1894.

I HAVE the honour to send to you, as Chairman of the Committee of Public Accounts, the opinion of the Officers of the House, with regard to the matter upon which your Committee requested their opinion.

I have, &c.
(signed) *John W. Mellor*,
Chairman of Ways and Means.

To Sir Richard Temple, Bart., M.P., G.C.S.I.,
&c. &c. &c.
Chairman of the Committee of Public Accounts.

MINUTE on EXTRA RECEIPTS.

WITH reference to the question raised in the General Report of the Comptroller and Auditor General, whether it is expedient to obtain the sanction of Parliament to the expenditure by the Departments of the estimated amount of Extra Receipts set forth in the Annual Estimates in the Appropriation Act only, or first in Committee of Supply and afterwards in the Appropriation Act, the considerations against any change in the existing system have been already set forth by Mr. Dodson and Sir T. Erskine May at pages 140 and 142 of the Third Report of the Committee of Public Accounts in 1881, and it is unnecessary to enlarge on them here beyond saying that the teachings of practical experience which influenced the minds of those distinguished authorities some 13 years ago have gathered force year by year.

Under the present system the amounts of the Extra Receipts authorised to be spent are clearly set forth in the Annual Estimates; and no money is voted or spent without the full knowledge of the House of Commons.

If, however, this is not enough, and it is thought right that more full Parliamentary authority should be given to the spending of these Extra Receipts, the Officers of the House are unanimous that the most proper way, both from a constitutional point of view and from that of husbanding the time of the House, would be an additional column in the Schedule of the Appropriation Bill.

This would limit and give full statutory sanction to such expenditure. It would avoid the inconvenience of confusing in one Vote estimated, and necessarily uncertain and even speculative receipts, with definite expenditure recommended by the Government on their responsibility as necessary for the public service, and would not to the same wide extent open up and suggest comment on, and consequent justification of, the propriety of all the items of Extra Receipts.

Readily intelligible information tends to anticipate objection and save debate in Committee of Supply, and it might be given with the greatest fulness in the Estimates The Vote of the House would be taken once only on Extra Receipts at a favourable time for the despatch of business, and on the simplest issue, viz., the amounts set forth in the new column of the Schedule of the Appropriation Bill.

APPENDIX, No. 3.

PAPER handed in by Sir *E. W. Hamilton*, K.C.B., 6 June 1894.

PAPERS showing how EXPENSES incurred by PUBLIC DEPARTMENTS in administering PUBLIC LOANS are charged on the LOCAL LOANS FUND.

(I.) Section 12 (4) of the National Debt and Local Loans Act, 1887 (50 & 51 Vict. c. 16), enacts that—

"If it is shown by the Income Account of the Local Loans Fund for any financial year that the income is in excess of the expenditure, the excess shall be applied in the payment of such sum in respect of expenses in connection with Local Loans as the Treasury from time to time direct, and, subject to that application, shall be credited in account to the capital of the Local Loans Fund."

(II.) EXTRACT from Treasury Minute, dated the 23rd May 1887, respecting the establishment of a Local Loans Budget (House of Commons, 166 of 1887).

The Income Account of the Local Loans Fund will record (1) the interest received from the Departments administering local loans upon the sums advanced by them; (2) interest on any sums invested in securities by the National Debt Commissioners; and (3) any moneys voted by Parliament to make good deficiency of income in the previous year to meet the charges upon it. The Income Account will be charged (1) with the interest on Local Loans Stock outstanding; (2) with an annuity of 130,000*l.* entitled the Restitution Annuity, to make good gradually the bad debt of about 6,000,000*l.* described in paragraph 21 of this Minute; this Restitution Annuity will be laid out quarterly by the National Debt Commissioners in the purchase and cancellation of stock, and an account will be kept of its operation; (3) with charges for the management of Local Loans Stock; and, if the Treasury think fit, for the reasonable expenses of the Departments in the administration of local loans; (4) any surplus will be paid over to the Capital Account, as above described, of the Local Loans Fund.

(III.) LETTER from the National Debt Commissioners to the Treasury, dated 27th July 1888, and Reply of the Treasury, dated 6th September.

(3165.)

Sir, National Debt Office, 27 July 1888.

I AM directed to transmit, for the information of the Lords Commissioners of Her Majesty's Treasury, an account of the transactions of the Local Loans Fund, together with a stock account and balance sheet for the year ended 31st March 1888, prepared in accordance with the forms approved by their Lordships in their letter of the 20th June last.

The attention of their Lordships is drawn to the sum of 36,483*l.* 6*s.* 2*d.*, stated in the balance sheet as a liability in respect of expenses of management of the Fund for the year ended 31st March last; and I am to state, for their Lordships' information, that it has been made up as follows, observing that, under Section 12, Sub-section 4, it rests with the Treasury to direct what expenses shall be charged against the Income Account of the Local Loans Fund:—

	£. s. d.	£. s. d.
Public Works Loan Board:		
Actual Expense for year ended 31st March 1888	9,311 3 8	
Less Fees received in same period	6,162 1 9	
		3,149 1 11
Add,—Other Voted Services, as per Appropriation Accounts, 1886-87 (pp. 182-3)		3,884 11 11
Estimated Expense of Public Works Loan Board		£. 7,033 13 10
Commissioners of Public Works in Ireland:		
Amount of Expenses agreed upon by their Lordships (Treasury Letter, 11,692-88)		28,929 – –
Irish Land Commissioners:		
The Irish Land Commissioners having reported that "the expenses of the Land Commission which are attributable to the administration of Local Loans are so trifling as to be inappreciable"		—
The Commissioners of Inland Revenue:		
For collecting and accounting for Drainage Rentcharges		144 5 7

The Commissioners have suggested whether "a charge of 3 per cent. on the amount paid over in any one year would not be a sufficient sum for the Local Loans Fund to bear." The amount so paid over in year ended 31st March 1888 was 4,826*l.*

	£. s. d.
The Fishery Board for Scotland	126 6 9

have estimated a sum of 126*l.* 6*s.* 9*d.* as incidental to the administration of Local Loans.

	£. s. d.
National Debt Office:	
The expenses of this Department in connection with the Local Loans Fund have been estimated at	250 – –

and in such estimate no charge has been made in respect of "Other Voted Services," as shown in the Appropriation Account for 1886–87 (p. 175).

It should be noted that no charge has been estimated for expenses of Her Majesty's Treasury in connection with the Local Loans Fund, to which point the attention of their Lordships is now directed.

The above charges may be thus summarised:—

	£. s. d.
Public Works Loan Board	7,033 13 10
Commissioners of Public Works, Ireland	28,929 – –
Irish Land Commission	—
Commissioners of Inland Revenue	144 5 7
Fishery Board for Scotland	126 6 9
National Debt Office	250 – –
Her Majesty's Treasury	?
	£. 36,483 6 2

It is suggested that the estimated expenses thus arrived at may be subject to adjustment in the next financial year, if considered necessary.

Upon receiving instructions from their Lordships as to any alterations which they may deem advisable, or upon the accounts as now rendered receiving their Lordships' approval, the Comptroller and Auditor General shall be furnished with all details to enable him to complete his audit of the Local Loans Fund for the year ended 31st March last, which, under the 16th section of the Local Loans Act, 1887, will ultimately have to be laid before Parliament in such form as the Treasury may direct.

Their Lordships will observe that, after the proposed expenses of management have been charged against the Income Account of the Local Loans Fund, it will show a credit balance of 78,927*l.* 5*s.* 3*d.*, which sum will have to be "credited in account to the capital of the Local Loans Fund."

I am, &c.

The Secretary to Her Majesty's Treasury. (signed) *C. Rivers Wilson.*

(12,637-88.)

My Lords and Gentlemen, Treasury Chambers, 6 September 1888.

I HAVE laid before the Lords Commissioners of Her Majesty's Treasury Sir C. Rivers Wilson's letters of the 27th July last, and of the 9th and 31st ultimo, relative to the account for 1887–88 of the transactions of the Local Loans Fund, together with a stock account and balance sheet for 1887–88.

Their Lordships' attention is directed to the item "Expenses of Management," in the Income Account. This item

item is set down at 36,483*l.* 6*s.* 2*d.* in Sir C. Rivers Wilson's letter of 27th July, but this should be reduced to 36,433*l.* 13*s.* 10*d.* in consequence of the reduction of the Fishery Board's expenses. My Lords have caused calculations to be made of the expenses of this Department which are properly chargeable to the Local Loans Fund, and they have decided to insert the sum of 400*l.* on account of the Treasury. The total sum for expenses of management will thus stand at 36,833*l.* 13*s.* 10*d.*, leaving a surplus income balance on 31st March of 78,576*l.* 17*s.* 7*d.*, which will require to be credited in account to the capital of the Local Loans Fund in the current year.

With the alterations hereby involved, their Lordships approve the accounts as rendered, which should be communicated forthwith to the Comptroller and Auditor General.

I am, &c.

The National Debt Commissioners. (signed) *Frank Mowatt.*

(IV.) LETTER from the National Debt Commissioners to the Treasury, dated 24th October 1893, and Reply of the Treasury, dated 3rd November.

Sir, National Debt Office, 24 October 1893.

I AM directed by the Commissioners for the Reduction of the National Debt to transmit you herewith a copy of the annual account and balance sheet of the Local Loans Fund for the year ended 31st March 1893, and to state, for the information of the Lords Commissioners of Her Majesty's Treasury, that the excess of income over expenditure therein shown which is applicable to the payment of administrative expenses connected with local loans amounts to 44,384*l.* 13*s.*

I am, at the same time, to inform you that the actual expenses of administration of the various Departments in the year 1892–93 in connection with local loans have been stated to the Commissioners to be as follows, viz. :—

	£.	*s.*	*d.*
The Public Works Loan Board	5,129	10	6
The Irish Land Commission	16,000	–	–
The Commissioners of Public Works, Ireland	16,700	–	–
The Fishery Board for Scotland	85	–	5
The Commissioners of Inland Revenue	106	13	–
The Exchequer and Audit Department	1,383	12	1
The National Debt Office	292	–	–
	39,696	16	–
to which should be added the expenditure incurred by the Treasury	400	–	–
	£. 40,096	16	–

The "estimated" expenditure of the above Departments in connection with local loans was stated to be as follows :—

	£.
The Public Works Loan Board	5,600
The Irish Land Commission	14,000
The Commissioners of Public Works, Ireland	16,811
The Fishery Board for Scotland	115
The Commissioners of Inland Revenue	107
The Exchequer and Audit Department	1,320
The National Debt Office	292
The Treasury	400

I am to request that, should their Lordships see fit, directions may be given, under Section 12 (4) of the National Debt and Local Loans Act, 1887, for the assignment of 40,096*l.* 16*s.* of the excess income amongst and for the credit of the Departments concerned, which sum the Commissioners will then be prepared, in accordance with their Lordships' decision, to pay direct to the Exchequer at a convenient time during the present financial year. The Commissioners will also cause the amount recovered in respect of each Department to be notified to that Department.

Subject to the assignment above stated, the Commissioners will credit the balance (surplus income) of 4,287*l.* 17*s.* in account to the capital of the Local Loans Fund.

I am, &c.

The Secretary to Her Majesty's Treasury. (signed) *C. Rivers Wilson.*

(15,755–93.)

My Lords and Gentlemen, Treasury Chambers, 3 November 1893.

I HAVE laid before the Lords Commissioners of Her Majesty's Treasury Sir C. Rivers Wilson's letter of the 24th ultimo, submitting a copy of the annual account and balance sheet of the Local Loans Fund for the year 1892–93.

With reference to Section 12 (4) of the National Debt and Local Loans Act, 1887, I am to request that you will pay over to the Exchequer Account at the Bank of England the sum of 40,096*l.* 16*s.* for the credit of the Votes of the undermentioned Departments, viz. :—

	£.	*s.*	*d.*
The Public Works Loan Board	5,129	10	6
The Irish Land Commission	16,000	–	–
The Commissioners of Public Works, Ireland	16,700	–	–
The Fishery Board for Scotland	85	–	5
The Commissioners of Inland Revenue	106	13	–
The Exchequer and Audit Department	1,383	12	1
The National Debt Office	292	–	–
The Treasury	400	–	–
	£. 40,096	16	–

Their

Their Lordships note that you will communicate to each of the Departments concerned the amount of its extra receipts as thus recovered from the Fund.

	£.	s.	d.
The surplus of the Fund for the year 1892-93 being, according to the account now presented	44,384	13	–
the above application of	40,096	16	–
leaves a balance of	£. 4,287	17	–

which will be credited in account to the capital of the Local Loans Fund.

I am, &c.

The National Debt Commissioners. (signed) *R. E. Welby.*

[*Note.*—An adjustment was subsequently made, the effect of which was to increase the surplus of the Fund for 1892–93 from 44,384*l.* 13*s.* to 44,409*l.* 0*s.* 3*d.*, and, consequently, the balance to be credited in account to the capital of the Fund from 4,287*l.* 17*s.* to 4,312*l.* 4*s.* 3*d.*]

FOURTH

REPORT

FROM THE

COMMITTEE

OF

PUBLIC ACCOUNTS;

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX, AND INDEX.

Ordered, by The House of Commons, *to be Printed,*
31 *July* 1894.

LONDON:
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BY EYRE AND SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.

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FOURTH REPORT.

THE COMMITTEE of PUBLIC ACCOUNTS have made further progress in the Matters to them referred, and have agreed to the following FOURTH REPORT:—

CLASS VI.

NON-EFFECTIVE AND CHARITABLE SERVICES.

VOTE 1.—SUPERANNUATION AND RETIRED ALLOWANCES.

1. In paragraph 2, referring to Sub-Head A., the Comptroller and Auditor General draws attention to five cases of Superannuation Allowances, as constituting one of the results of a non-compliance with the new rule as to retirement, which he had no opportunity of noticing in his Report of last year. Your Committee learn that the gentlemen in question were kept on for a very short time after 31st December 1891 to enable them to complete a further year's service. Some of them were on the point of completing it, some within a few days, others within a few weeks. It was thought only reasonable and fair that a slight concession in the way of extension of service should be made. These were indeed exceptional cases, which, on the introduction of the new rule, the Treasury thought might properly be met by some relaxation in the superannuation rules, that is to say, allowing the officials in question to remain for the purpose of completing their service. Your Committee concur with the Comptroller and Auditor General in considering that a matter of this kind, where the circumstances are exceptional, falls within the discretion of the Treasury. Q. 3164. Q. 3166. Q. 3167.

2. In paragraph 7 the Comptroller and Auditor General, referring to Sub-Head C., Gratuities, notices five cases of over-payment which the Treasury have treated as irrecoverable. Your Committee learn that after full inquiry into the facts the Treasury found this course unavoidable, as recovery had proved to be impossible. Q. 3166. Q. 3168.

3. Your Committee notice a case where a pension has been granted to a gentleman without his having a Civil Service certificate, and who was paid from fees, as mentioned by the Comptroller and Auditor General in paragraph 5 of his Report. The statement that he did not hold a certificate was made under misapprehension. As regards his general status, his case like that of others paid by fees in the same Department has, since the date of the Comptroller and Auditor General's Report, been explained by the Treasury Minute of 5th April 1894, *see* Parliamentary Paper, No. 64, of 1894. The Comptroller and Auditor General is now satisfied with the statement of the Treasury that the question was one of good faith, and your Committee accept this view. Q. 3184. Q. 3187.

4. In reference to Compassionate Allowances, the attention of your Committee has been drawn to the question as to how far the power of granting these, as exercised by the Treasury, is statutory or discretionary. Your Committee bear in mind that the Compassionate Allowances granted to the person injured in the case of an injury, or to the relatives of a person who has been killed by an injury, are under a Treasury Warrant of September 1887, which was drawn under powers conferred by the Superannuation Act of 1887. The amount, however, is fixed not by statute, but by the Treasury itself. Q. 3188. Q. 3193 and 3194.

5. In reference, however, to Grants from the Compassionate Fund, under Sub-Head F. of this Vote, the Comptroller and Auditor General states that the Treasury will call the attention of Parliament to the fact that these Grants are made by the Treasury at their discretion, and that they are not paid under statutory authority, by means of words to be added to future Estimates. Your Committee learn that this has been done in the Estimates for 1894–95.

Vote 5.—Pauper Lunatics, Ireland.

6. Your Committee observe that the Vote was not enough to meet the requirements, that there stood over a claim of 57*l.* 10*s.* 9*d.*, and that consequently the payment had to be postponed and provided for in subsequent Estimates. The Vote is a Grant in Aid, so the details are not audited by the Comptroller and Auditor General, and he only sees the certificates, which are virtually the receipts of the accounting
Q. 3206. officer for the sums handed over to him.

CLASS VII.

Appendix, No. 1.

Vote 2.—Miscellaneous Expenses.—Appropriation in Aid.

Q. 3219. 7. In reference to paragraph 3 of the Comptroller and Auditor General's Report, your Committee have considered the traditional rule of exemptions from search fees in the Lyon Office. There appears to be no doubt that the Act does expressly impose these search fees, and therefore the exemption of the searchers from paying these fees is very questionable. If the practice should be continued, it will require fresh legislation.
Q. 3220. The Treasury are inquiring, and until these inquiries are complete, the Comptroller and Auditor General will not be able to make a positive report; thus the matter is still in suspense.

Q. 3247. 8. Your Committee observe that, both in respect to the character of the Vote itself and to the amount received from Appropriations in Aid, this Vote requires special scrutiny by the Treasury. There might be doubt whether the fact that the Appropriations in Aid exceed the total expenditure is not calculated to lead to unnecessary expenditure. But if the total Vote had been exceeded, an application would have had to be made to Parliament for a Supplementary Estimate just the same. In other words, supposing the total which the Department was intended to spend (the Grant being 11,748*l.*) had been
Q. 3249. exceeded, a Supplementary Estimate must have been submitted to Parliament to admit of the application of additional Appropriations in Aid.

Q. 3267. 9. As to the remission of fees by direction of the Treasury (*see* page 504), your Committee observe that a Vote has to be obtained from Parliament. If there are any special circumstances which seem to justify the remission of the fees, the Treasury would pay the fees themselves out of the Civil Contingencies Fund, and then ask Parliament to repay the sum to that Fund. Thus Parliament would have cognisance of it when con-
Q. 3268. sidering the Vote for repayments to the Fund.

Vote 3.—Pleuro-Pneumonia.

10. Your Committee have duly observed the 20,000*l.*, under Sub-Head B. of this Vote, of expenditure more than was granted by Parliament. But it is shown in a foot-note that an Act has been passed which is sufficient authority, the object being to enable the
Q. 3271. Treasury to give a larger portion of the Grant to Ireland than it previously could.

Vote 4.—Highlands and Islands of Scotland (Grants in Aid of Public Works and Commissioners).

11. In paragraph 2 the Comptroller and Auditor General adverts to the continued delays and difficulties in carrying out the Western Highlands Works Act of 1891, which have not yet been overcome. Your Committee learn that the procedure required by
Q. 3272. this Act takes a much longer time than was anticipated. There are references first to the County Councils, then to the Board of Trade, then to the County Councils again, and then back again to the Board of Trade. The result has been that until nearly the end of 1893-94 there was no work actually got in hand. Now, however, a great many harbours are going through this procedure; 15 minor harbours are actually in hand, and four more are expected to be in hand immediately. Your Committee have inquired
Q. 3291. more particularly as to the causes of this delay, for which the Scotch Office, with apparent justice, disclaims responsibility. At the best there must be some considerable delay unless the Act shall be modified, between the County Council applying for the
Q. 3279. Grant in Aid and the actual Grant from the Treasury, even as long as eight months. And the difficulty is increased by the fact that in the crofter counties these Councils only meet at rare intervals, and can with difficulty be called together. The consequence has been that although in the previous years there have been unexpended balances,
Q. 3286. yet in the year 1893-94, nearly the entire Vote was expended. There is reason, however,

however, to believe that the procedure might be shortened, but for this some amending legislation or improvement in departmental procedure would be necessary. The details of the actual processes will be found in the answer to Q. 3282 in the Minutes of Evidence. Your Committee desire to impress upon the Department concerned the importance of obviating these delays.

12. Meanwhile your Committee observe that the Vote has had the appearance of being an inflated one. One consequence has been that, as more money was obtained than the actual necessities of expenditure required, a sub-head, not in the original Vote, was started with Treasury sanction as being within the four corners of the Vote, and with an appropriation of no less than 5,500*l.*; and yet 15,000*l.* were left to be surrendered. Q. 3302.

13. Your Committee have noticed the case of Lerwick Harbour, where the money was borrowed from the Public Works Loan Commission at a time when no Grant was obtainable. By the arrangement made the borrower received other public money under the form of a Grant, and out of that was able to pay back the loan. So the transaction may be described as paying back public money with public money. And your Committee consider that a simpler procedure would have been to get the amount written off under the annual Public Works Loan Bill. Q. 3308. Q. 3315.

Vote 5.—Chicago Exhibition.

14. Your Committee observe that this is a Parliamentary Grant in Aid paid in a lump sum; it is voted *en bloc* without any details being given; the certificate of the Secretary to the Commission being taken as a receipt and voucher; no return being made to Parliament; but doubtless a balance sheet could be obtained when the accounts are finally wound up. Q. 3324. Q. 3327.

Vote 9.—Crofters' Colonisation (Advances in Aid).

15. The Comptroller and Auditor General has been unable to admit the amount of the Grant, 7,500*l.*, as properly chargeable under the Exchequer and Audit Departments Act, because the requisite details and vouchers have not been furnished. The Treasury quite admit this reason for disallowance. It is explained, however, that the service is one for which the Vote ought to have been expressly taken as a Grant in Aid. This would have been done from the very first only that in the two first years in which the Vote was taken there were certain administrative expenses included in the Vote, besides the actual Grant for colonisation, which is admitted indeed by the Treasury. The consequence was that the total Vote was not taken as a Grant in Aid, though in the details the Grant is called "Advances in Aid of Colonisation." The intention of the Treasury was that it should be considered as a Grant in Aid This intention, however, did not find expression in the Parliamentary Resolution; in short, there was an oversight which has brought about this technical irregularity. Your Committee have examined this case more particularly. It appears that for so much of the money as has been spent vouchers and accounts can be rendered. But a great part of it has not been spent, being not required in the year. Being treated as a Grant in Aid, it was not surrendered but held over for future expenditure. Indeed, out of the 7,500*l.* about 7,283*l.* are unspent, and are in the hands of the Colonisation Committee. The money has been held back and is lying in the bank, interest being obtained on it. Your Committee learn that, had the experiment proved more successful than it actually has been, more crofters would have been sought for and sent out to Canada. But as the circumstances actually stood, it was thought better to suspend action. All this was done with the knowledge of the Treasury. The Scotch Office hoped that next year an opportunity might occur for working the scheme more favourably, and they might be able to spend the money in the following year. Q. 3430. Q. 3410 to 3416. Q. 3349. Q. 3352 and 3356. Q. 3354.

16. Your Committee agree with the Treasury in considering that, if there be no intention of soon spending the money, steps ought to be taken to surrender the same, and if in a future year the scheme should be revived, application might be made to Parliament for renewal of the Grant.

17. Your Committee would add that in the answer to Q. 3343 in the Minutes of Evidence some deetails will be found of the circumstances attending the introduction of the experiment in Canada. It may be added that the Scotch Office had for the previous year some accounts which they were able to render to the Comptroller and Auditor General, but in this year under report there was but little expenditure and no accounts were existing. Q. 3436.

Vote 10.—Relief of Distress, Ireland.

18. The Comptroller and Auditor General, having specially considered these Accounts by reason of their abnormal character, would distinguish between the expenditure for the ordinary relief of distress and that upon the railways undertaken for the same object. The expenditure on relief was, from the necessity of the case, very imperfectly vouched. It was undertaken under grave pressure, and it was difficult to ascertain whether the sums paid had been fully earned by the labourers to whom employment had been afforded. But he has no reason to doubt that the expenditure, as a whole, represented a *bonâ fide* outlay on the part of the officers engaged for the relief of distress.

Q. 3477.

REVENUE DEPARTMENTS.

Vote 1.—Customs.

19. In paragraph 4 the Comptroller and Auditor General remarks that certain rules applicable to Store Accounts were to come into operation on the 1st July 1893. It appears that they are in operation under an order of the Board of Customs, and that these Accounts will be susceptible of test examination by the officers of the Comptroller and Auditor General.

Q. 3485.

Vote 2.—Inland Revenue.

20. Adverting to certain exemptions of Stamp Duties on Drawbacks, the Comptroller and Auditor General has occasion to point out that no general power has been conferred on the Treasury to remit duties that are imposed by Statute, and if any practice of exempting is to be maintained, the sanction of an Act of Parliament would be required. The Treasury reply that though the practice has existed since 1848, still they do not claim to have the power of remitting; and that as an alternative to fresh legislation, it has been deemed preferable to withdraw the exemptions, so that no question will arise in future.

Q. 3488.

Q. 3489.

Vote 3.—Post Office.

21. Your Committee observe that certain extra receipts appertaining to this Vote which have hitherto been paid to the Exchequer have this year, for the first time, been treated as Appropriations in Aid. This is only doing in the case of the Post Office that which has been carried out with almost all the other Votes.

22. In reference to paragraph 1 it is observed that the Treasury consider that there is a certain excess expenditure to which they are unable to give sanction, and which must be left to the consideration of your Committee. In brief, the circumstances were these: It was necessary to send an officer to Constantinople to survey the office there, as the office had not been personally surveyed for 10 years. He was paid at the rate authorised by a Treasury letter of 29th September 1883 for such occasional services. From various causes his stay there was extended. He had, among other things, to inquire into some robberies which had occurred. The payments made on account of this mission were in accordance with the authority received from the Treasury; but the fixed provision for such expenditure (200*l.*) was exceeded. In finding fault with the expenditure that was incurred, the Treasury object, not because it was contrary to authority, but because they regarded the arrangement as extravagant; and to mark their sense of the extravagance, they thought the best way would be to send the correspondence to your Committee, although it is a question of administration rather than one of authority. The objectionable arrangement was the payment at the rate of 200*l.* a year, plus 30*s.* a day subsistence allowance and travelling expenses for such a length of time, in addition to the ordinary salary. Your Committee desire to support the view of the Treasury in this matter, and they trust that no such extravagant expenditure will be allowed in future

Q. 3500.

23. In paragraph 7 the Comptroller and Auditor General notices the apparent insufficiency of various explanations given of the causes of variation between expenditure and grant in various instances. Your Committee have inquired more particularly into these variations. Certainly, in so large an expenditure as 6½ millions they are comparatively few and small, not amounting to more than 1 per cent., and showing that practically the Estimates are very near the mark. Still, in the cases where differences do occur,

Q. 3501. 3544.

occur, the explanations given are not sufficiently explicit for the information of Parliament. Your Committee learn that there will be no difficulty in rendering such explanation, and they have impressed on those concerned the desirability of doing this with exactitude in future.

Vote 4.—Post Office Packet Service.

24. In paragraph 2 the Comptroller and Auditor General remarks that the transfer of certain Government property, namely, the Dover Pier, to a local authority has been attended by the creation of a new charge upon a Vote of Parliament. On this the Treasury reply that, while the Dover Harbour Bill was before Parliament, the Board of Trade objected to there being a clause exempting mail packets from harbour dues, and therefore the Post Office, under the Act when it passed (54 & 55 Vict. c. 125), became liable to those dues, so long, at least, at any rate, as the present contracts with the Belgian Government were in existence. However, the Anglo-Belgian Postal Convention has now come to an end, and in the new Convention the Belgian Government, instead of the British Post Office, will be liable for the dues, and this arrangement has been carried out. Q. 3545.

Vote 5.—Post Office Telegraphs.

25. The Comptroller and Auditor General suggests that there should be a foot-note added, showing the value of the stock in hand at the end of the financial year, inasmuch as such notes have for many years been given in the case of the Army and Navy Accounts, and their adoption by the Post Office would be attended with considerable advantage. Your Committee consider that this should be carried out. Q. 3549.

CONSOLIDATED FUND.

26. This does not seem to require remark from your Committee.

TREASURY CHEST.

27. Your Committee have noticed the large cash balances kept up at some of the stations abroad (*see* page 8), especially at Bermuda and Hong Kong. Last year a reduction at Hong Kong was effected. Your Committee have impressed on the Treasury the expediency of keeping their balances as low as may be compatible with efficiency in the same way as was done last year with the balances in the United Kingdom. Qs. 3559 and 3561.

LOCAL LOANS FUND.

28. In paragraph 8 the Comptroller and Auditor General (*see* page 27), after referring to the balance of interest outstanding on loan written off the assets of the Fund, the accumulation of arrears, and other points, goes on to say that he has caused the matter to be brought under the notice of the Treasury. Your Committee now learn that the Treasury, after consultation with the Public Works Loan Commissioners, have adopted the Comptroller and Auditor General's suggestion to such an extent that he is satisfied that his point is sufficiently met for the present, though he is not sure that the matter has attained finality. The effect will be that not only will the Loan Commissioners cease to include in their accounts accumulated arrears which there is practically no hope of recovering, and which are consequently misleading; but their accounts will be brought into conformity with the Loan Accounts of the Irish Board of Works. Q. 3566. Q. 3567. Q. 3570.

CIVIL CONTINGENCIES FUND.

29. Under this heading your Committee observe that again a question has arisen regarding the remission of stamp duties on special occasions. In reply the Treasury admit that they have not power to make such remission without the covering sanction of Parliament. Q. 3573.

GENERAL REMARKS.

30. Your Committee will now advert to several topics which have presented themselves during the consideration of these accounts.

Stocktaking in all Departments.

31. Your Committee offer some observations on a subject which has been repeatedly mentioned during their sittings, and touched upon several times in the evidence, namely, that of stock-taking. They have taken some special evidence on this subject.

32. It appears that some time ago the stock-taking of the stores in the great Departments, War Office and Admiralty, was distinctly defective. Before the Public Accounts Committee the representative of the War Office was asked whether he could give a rough estimate of the value of the stores at Woolwich, and he could not. As another instance, about the same time, some 6,000*l.* worth of coal was discovered at Portsmouth, of which the authorities had no cognisance because it was not on their books. It is believed that, on research, other instances to a similar effect could be adduced. At the same time, the Comptroller and Auditor General adds that mainly through the action
Q. 3650. of the Public Accounts Committee, and the Exchequer and Audit Department, we have now got valuation accounts which we never had before, and we now know a great deal more about the value of the stores than we ever did previously. All this he holds to be
Q. 3651. important because these valuations are put into the Appropriation Accounts, showing, for example, that there is so much at Woolwich and so much elsewhere; and they are not mere guess-work, and are based upon the rate books. These too are tested in the Audit Department by the taking of instances to see that these rates are accurately valued into the Stock Accounts. The Audit Department does not indeed guarantee that the
Q. 3670. whole has been thus accurately valued, but it does test all this by taking instances. It is only within the last 10 years that this store audit has been undertaken. He evidently thinks that good results have flowed from the Treasury Minute of 15th November 1866, which imposed on him the duty of store audit.

33. Nevertheless at the present moment the Comptroller and Auditor General does
Q. 3665. not consider that the stock-taking as now conducted in the great Departments, however much it may have been improved, is perfectly satisfactory. It does, he thinks, still lack something, and still further improvement might be made. He has indicated before now in his Reports that the Departments have hardly yet realised to the full their responsibility in the matter, and that more might possibly be done. A very great deal has been effected in the way of bringing up and levelling up the control over cash, and if the control over stores is not quite up to the same form, the action of the Audit Department with the support of the Public Accounts Committee will have a considerable effect on the stores also.

34. On the whole the Comptroller and Auditor General informs your Committee
Q. 3578. that though he has in his Reports not infrequently raised questions connected with deficiencies brought out by the stock-taking, still he has no reason to doubt the trustworthiness or accuracy of the stock-taking as such.

Q. 3606. 35. On the other hand he is not sure that the stock-taking as now conducted in the Departments is all that it might be, or all that it should be. On the contrary, he apprehends that various improvements in detail are both desirable and practicable; but such arrangements would require exact consideration in concert with the departmental authorities themselves, and your Committee consider that under the existing Treasury
Q. 3706. Minute this might be now undertaken with advantage. He thinks that there should be an investigation into the steps actually taken in the various branches of the Admiralty and the War Office. He adds that the whole system had never yet been fully explained to Parliament.

36. As regards the existing system your Committee observe that there is now
Q. 3698. a stock-taking continuously going on, of a certain kind, in each Store branch, and that is checked by an independent test stock-taking by officers of the department. In the War Department this stock-taking is under the War Office direct, and independent of the departments concerned. In the Admiralty there is a difference of system, namely, this,
Q. 3699. that the Director of Stores sends down from London to the Stores two officers of his own who perform a special stock-taking, irrespectively of the general stock-taking which goes on continuously in the Dockyards. These officers belong to the Store branch itself,
Q. 3700. though they are of course independent of the storehousemen. Still, they are officers of the Director of Stores, and in that sense he is taking his own stock, which arrangement is open to some objection. Your Committee presume that at least there would be no difficulty in assimilating the practice of the Admiralty in this respect to that of the War Office, and that the Admiralty, instead of the Director of Stores, could send down the officers from London.

Q. 3646. 37. It may here be added that some analogy is afforded by the existing practice in respect of cash. In 1872 the Treasury held that the checking of balances is an administrative duty not pertaining to the audit. The Public Accounts Committee concurred in this view. Accordingly the cash balances in the hands of officers are not verified by the Audit Department.

38. Respecting

38. Respecting the functions of the Comptroller and Auditor General, your Committee observe that the Exchequer and Audit Act is silent on the subject of stores and stock. Therefore, stock-taking is not among the duties imposed on him by law, and would not be covered by the Act. On the other hand, no fresh legislation would be required for it. It could, however, be undertaken under administrative authority from the Treasury. Qs. 3662, 3663, and 3664.

39. At present the Comptroller and Auditor General considers himself forbidden to take stock, and debarred therefrom by the very Minute of the Treasury which imposes on him the duty of the Store audit. Nevertheless, on more than one occasion, either for examining the stock-valuation or for other special reason, he has personally to some extent done some stock-taking in the Dockyards. Such action on his part has, however, been rare, and did not amount to regular stock-taking. He held that his official position justified this individual action of his for a specific and limited purpose. Q. 3578. Q. 3642. Q. 3599. Q. 3608 to 3618.

40. Upon the subject, as a whole, your Committee observe that the stock-taking now continuously going on in the departments must be maintained with the unimpaired responsibility of the departmental officers. If it were suggested that another or second stock-taking should be undertaken independently of the departments by the Treasury or the Comptroller and Auditor General, then they observe that such and operation would be too large and costly to be practically contemplated under present circumstances.

41. But it is admittedly practicable (apart from any question of expediency) to have a test or sample stock-taking, with a very limited though expert establishment, and consequently at a slight cost, independent of the department, and directly under the Treasury or the Comptroller and Auditor General. Your Committee have particularly consulted the Comptroller and Auditor General and the Treasury on the expediency of such a project, and the opinion of both these authorities is decidedly against it. Q. 3592. Qs. 3579 and 3716.

42. The Comptroller and Auditor General says that first of all there is the expense; that, however, might be regarded as inconsiderable, probably 10,000*l.* a year, if any advantage were to be gained in so great a matter as that of the Stores. But he goes on to say that a weakening of departmental responsibility would thereby be caused, and a very serious responsibility would be transferred to the Audit Department, fully weighted already with its cash duties. He holds that there is a tendency to magnify the value of an outside check. Moreover, a sample is, he thinks, too small a thing to be useful when we are dealing with such vast stocks as those under consideration. If anything should turn out wrong in the stock, then the departmental authorities might try to cast the onus on the Comptroller and Auditor General, and to ask why he did not find it out, although he had only a small establishment able to apply a test once in, say, five years. The matter is one of opinion, and your Committee cannot but give attention to the strongly expressed view of the Comptroller and Auditor General as a Parliamentary officer. Q. 3594. Q. 3592. Qs. 3593 and 3595.

43. Further, your Committee learn that the Treasury consider the objection as one of principle. They think that the immediate effect would be to commit to the Comptroller and Auditor General an indefinite part of one of the functions of administration which properly belong not to an auditor, but to the chief of the administering and spending Departments; and that if the proposed test stocktaking be done upon a small scale, and it is suggested on a comparatively small scale only, then it would be practically useless, having regard to the enormous field and infinite variety of stock to be taken in the Departments. Further, the Treasury appear to apprehend that after the introduction of such a measure, there might arise various complications in the future, into which your Committee need not now enter. Q. 3717.

44. On the other hand the Treasury recognise fully that the reports of all stock-taking officers should be open to the Comptroller and Auditor General and his officers. He can then comment freely on those reports, criticise the regulations under which they are made, and express his opinion as to how far those regulations are fitted for their purpose, and have been observed.

45. After considering the objections thus urged by the two authorities principally concerned, your Committee do not feel able to recommend an independent test stock-taking.

46. But in several passages of the evidence there occurs a suggestion which your Committee think may be utilised with advantage; it amounts to this, that the Comptroller and Auditor General should be empowered by the Treasury to cause a special stocktaking Qs. 3657 to 3651 and 3712.

to be performed in any case where, from any suspicion or apprehension of error, or other cause, he may deem such a measure to be desirable or necessary. According to this he would have power to require that the stock should be taken in the presence of himself or his officer. He would of course be the sole judge as to the case or cases in which this power should be exercised, and of the reasons by which such exercise would be justified. As a Parliamentary officer he could be trusted not to exceed or abuse such authority, but on the other hand to render it effective and fruitful in result. In the instance or instances that might thus be affected the check would be absolute; but further the knowledge that such a power resided in the Audit Department would ensure the utmost carefulness on the part of the Departmental authorities in having their stores accurately reported and valued, and also in making their stock-taking as complete as possible. Your Committee believe that this, so far as it goes, would be a step in advance. The hands of the Comptroller and Auditor General would thus be strengthened without any undue responsibility being cast upon him, and without the responsibility of the Departmental officers being impaired. Your Committee understand that neither the Treasury nor the Comptroller and Auditor General have any objection to this procedure, but on the contrary anticipate advantage from it. For this purpose it will be necessary that Treasury authority should be conveyed to all concerned.

Q. 3660, 3711 and 3712.

Q. 3714.

I. The Power of the Treasury to sanction Deviations from the Details of an Estimate, within the Aggregate Total of a Vote.

47. Your Committee find that this power of deviation has not been explicitly given by Parliament, but it necessarily follows upon the general terms of the resolutions granting each Vote to the Sovereign, which terms are subsequently ratified by the Appropriation Act. If Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum, at discretion, in the year, upon that service. The details appended to the estimate on which the Vote is taken show what are the current services and what are the expected services, at the time at which the estimate is prepared, and afford subsequently a means of comparison by the Comptroller and Auditor-General between forecast and actual results; but those details are not so binding on the Executive that they cannot be varied when the public interest urgently requires it, within the limits of the total Vote.

48. Your Committee understand that the good faith of Government is pledged by the details of an estimate on the strength of which Parliament grants the Vote. They must represent actual facts and the real intention of Government. But they do not preclude Government from making such changes as may be requisite to meet the varying necessities of the time.

49. According to constitutional practice, the Queen, by Royal Order, places the total grant at the disposal of the Treasury, and the Treasury entrusts its expenditure to the Department immediately responsible for the service, and requires that Department in the conduct of such expenditure to abide by the leading features of the estimate, or by the exact details, according to the nature of the service, unless Treasury sanction be obtained for a deviation therefrom. Parliamentary appropriation is confined to the restriction of the expenditure of the total grant to "the four corners of the Vote," and to a given time.

50. Your Committee find also that the power of deviation has been exercised ever since estimates have been presented in detail; and the occasions for its exercise necessarily grew as the organisation of the estimates became more precise and detail increased. The Treasury control over its exercise has been supported and extended by the Public Accounts Committee since their origin as a standing Committee in 1862.

Appendix, No. 2.

51. Your Committee observe that indirect evidence of Parliamentary recognition of the necessity of Treasury sanction for the exercise of the power, and therefore of the existence of the power itself, is afforded by section 27 of the Exchequer and Audit Departments Act 1866, which requires the Comptroller and Auditor General, at the request of the Treasury, to ascertain whether all or any expenditure has received Treasury sanction, and to report it for disallowance if such sanction cannot be produced.

Appendix, No. 2 (vi.).

52. Your Committee do not find that the terms of section 4 of the Appropriation Act (under which the Treasury sanctions the use of surpluses on some Army or Navy Votes

Votes to meet excesses on other such Votes) apply also to deviations from the details of an Estimate and excesses on sub-heads of an Estimate within the limits of a Vote. The origin and nature of this section were explained in a memorandum by the present Assistant Comptroller and Auditor, which is printed in the Appendix to the Second Report of the Public Accounts Committee of 1879, p. 57. Its object was to regulate excesses on Army and Navy Votes, and it leaves the pre-existent and independent power of deviation within the limits of a Vote untouched. If all other evidence of this were wanting, it would be sufficiently proved by the fact that the section relates to Army and Navy services only, whilst the power of sanctioning deviations from the details of the Estimate within the limits of the total Vote has been exercised by the Treasury from the first in regard to civil services, as much as in regard to naval and military.

Application of Surplus in one Sub-Head to meet Deficiencies in another Sub-Head.

53. In several passages among the Minutes of Evidence reference is made to the application of a surplus under one Sub-Head to meet a deficiency under another Sub-Head within a Vote in the Civil Services, with Treasury sanction under existing rules and practice. On this a question has been raised as to whether the spending departments have not sometimes obtained from Parliament more money than was needed, and then allotted the surplus thus accruing to another Sub-Head, or spent it on a new Sub-Head not contemplated when the Estimate was framed. On this your Committee are assured that neither do the spending Departments deliberately ask for, nor does the Treasury deliberately sanction, more money under any Sub-Head within a Vote, than is anticipated to be necessary when the Estimate is framed. The detailed information supplied to Parliament in support of the Estimate, though not actually binding on the Treasury, is yet as accurate as it can be made at the time of framing the Estimate. But it must frequently happen that a little more than was expected will come to be required under one Sub-Head and a little less under another, so that there will be surpluses and deficiencies on the Sub-Heads generally. If then a surplus is not to be available to meet a deficiency within the Vote, the result would be, as your Committee are assured, that additional provision would be made under each Sub-Head in the original Estimates. Such a provision would place additional funds at the disposal of the spending departments. And although in the end there might be a surplus on the whole Vote liable to be surrendered, yet there would be a temptation to spend rather than surrender. Thus the outcome of any restriction with regard to the present availability of surpluses on detailed items of Estimates would almost certainly be adverse to economy. On the other hand the exercise of the sanction of the Treasury will always be open to the criticism of the Public Accounts Committee.

Your Committee would add that if there were no powers to apply savings from one Sub-head to meet excesses on another there would be a large increase in Supplementary Estimates.

54. As regards new sub-heads not contemplated in the original Estimates, your Committee observe that if the particular service be clearly a part of the service for which the Vote was taken, the Treasury sanction would be valid. But if there be any doubt on this point, if there be any question as to whether the particular service though cognate to the service under the Vote, was of a nature within the contemplation of Parliament when the Vote was taken, then the sanction of the Treasury should be withheld and the sanction of Parliament obtained.

II. The Power of the Treasury to Sanction Gifts of Stores for Charitable Purposes.

55. Your Committee learn that the exercise of this power has been called in question more than once. Strictly speaking, no such power exists. To use a naval or military store for other than a naval or military purpose, and yet more for other than an Imperial service, is technically a misappropriation. All that the Treasury really does, by giving a covering sanction to such a misappropriation, and directing its record on the face of the Appropriation Account, is to signify that the circumstances were such as, in their opinion, Parliament would probably hold to justify the act.

56. When it is unnecessary to replace the stores, the Treasury appear to hold that no money need be voted on account of them. If the stores must be replaced, it would

would no doubt be open to the Treasury to advance their value from the Civil Contingencies Fund in anticipation of a Vote. But your Committee learn that the disposition of the Treasury has usually been of late years to require the Naval and Military Departments to record such charitable donations in their own accounts, so as to keep the responsibility for them on the right shoulders.

When, however, the occasion cannot be met by the immediate gifts of the naval and military authorities, and it becomes necessary to appeal to Parliament for a money grant, the Treasury has to assume an initial responsibility for the expenditure, and the requisite Vote finds its proper place amongst the Civil Estimates. Indeed the Comptroller and Auditor General considers that repayment of the value of the stores should be made to Army or Navy Funds from the Civil Contingencies Fund by a special Vote.

57. Your Committee concur in the opinion of the Treasury, that it is impracticable to forbid gifts of this kind wholly. But it is imperative upon the Departments, whose officers have taken upon themselves the responsibility for these gifts, to report them to the Treasury, and record them in the Appropriation Accounts for the information of Parliament.

Audit of Grants in Aid.

58. In several parts of the evidence some discussion has arisen as to whether Grants in Aid should be subjected by administrative orders to audit by the Comptroller and Auditor General, as they do not fall within the provisions of the Exchequer and Audit Act. Unless it be established otherwise, by administrative rule or practice, a Grant in Aid would not be thus audited, and the certificate of the Accounting Officer would suffice for the Comptroller and Auditor General. Your Committee find that the rule or the practice has not been quite uniform, and that of these various Grants some are audited as non-appropriation accounts, and some are not. By a non-appropriation audit is implied an audit which does not question the total expenditure, but which does follow the details of the expenditure to see that they are within the service for which the Grant was made. For instance, the Picture Grant for the National Gallery in London is thus audited. On the other hand, those for the Royal Society in England and Pauper Lunatics in Ireland are not. It will suffice to give instances for illustration without pursuing all the existing cases. Your Committee recommend that the Treasury should consider how far it would be expedient and practicable to bring all Grants in Aid under a non-appropriation audit by the Comptroller and Auditor General. Possibly there would be no difficulty in regard to those Grants which are administered by official or *quasi*-official bodies. But with those Grants that are administered by non-official bodies, such as that for the Chicago Exhibition, or that for Crofter Colonists in Canada, some circumspection would be needed if the accounts of expenditure are required to be so scrutinised.

Application of Extra Receipts in Aid of Gross Estimated Expenditure.

Q. 2484 2513.

59. A question has been raised in the Committee as to the expediency of reconsidering the practice under which the Extra Receipts of the Departments are appropriated in aid of the Grants of Parliament for the respective Services; and the present system has been objected to on the ground that it tends to mislead Parliament as regards the total expenditure for which provision is made.

See para. 2 Third Report Public Accounts Committee, 1881, Parliamentary Paper 350 of 1881.

See Appendix, Third Report Committee of Public Accounts, 1881, p. 16.

60. The question of the mode of dealing with Extra Receipts was under departmental inquiry and consideration for many years, and had been repeatedly under the notice of different Committees of Public Accounts until, finally, it formed the subject of an exhaustive inquiry by the Public Accounts Committee in 1881, in connection with a scheme placed before the Committee by the Treasury in their Minute of 27th June 1881. In this Minute the Treasury summarised the objections to the then existing practice as follows:—

"(1.) The paying of a large proportion of these receipts into the Exchequer, and "the consequent voting or re-voting of the expenditure which they represent, have the "effect of overstating both the public revenue and expenditure, or, as the public "understand it, the taxation of the country and the cost of Government, by a sum which "may be roughly stated at the present time as more than 4,000,000*l.* annually.

"(2.) The

"(2.) The departments do not get credit for their receipts, and have not therefore "inducement to realise them, and thus reduce to the utmost the net charge of "Government upon the taxpayer.

"(3.) Apart from these objections of principle, there is also the objection that, "under present practice, there is no uniformity or consistency among the different "departments in their method of treating extra receipts."

61. The Committee of Public Accounts made a separate Report on the subject, in which, with the concurrence of the then Comptroller and Auditor General, they approved the adoption of the Treasury proposal to apply the new scheme in the first instance to the extra receipts of the Army and Navy, which, they remarked, "though making an important advance in the right direction, must be considered as tentative, and not as a final settlement." The Appendix to the Report of the Committee gives the fullest information of the various stages of the discussion upon this question, of the inquiries upon which the scheme was based, and of the grounds upon which the expediency of the change was advocated.

See Third Report of Public Accounts Committee, 1881.

See para. 4 of the above Report.

62. The extension of the system to the Votes for Civil Services has only been effected in recent years by a gradual process covering first one Vote and then another, as, for instance, the Exchequer and Audit Office in 1883–84; the Diplomatic and Consular Services in 1885–86. In 1892–93 there was a large extension covering 39 Votes (*see* paragraph 5, Comptroller and Auditor General's General Report. But there remain some to which it has not yet been extended (*see* paragraph 5 above cited). In 1883 the Committee stated that one uniform principle should be observed throughout the services, and recommended a gradual extension of the system to those Civil Service Votes which most readily admit of it (*see* Second Report, 1883, paragraph 2).

63. The change of practice, which originally rested upon directions in Treasury Minutes, has received the statutory authority contained in Section 2 (3) of the Public Accounts and Charges Act of 1891.

64. It is clear, therefore, to your Committee that the conclusions arrived at, after full and complete inquiry, by the Public Accounts Committee of 1881, have been repeatedly affirmed or practically sustained by subsequent Committees, and formally approved by Parliament itself in the recent statute above quoted.

65. It is further to be observed that the system in question does not appear to your Committee essentially to weaken the control of Parliament over the total expenditure, or affect the functions of the Comptroller and Auditor General in his examination and criticism of that expenditure. The Gross Expenditure and the Appropriations in Aid are both shown in the Estimates, and can be criticised in detail before the Vote is taken net. If the Expected Receipts should exceed the Estimated Expenditure when the Estimate is framed, then only so much of them is proposed for appropriation as may leave a nominal balance of expenditure to be voted, in order that the Estimate may come under Parliamentary review. In that case the unappropriated remainder would be paid into the Exchequer.

66. In these circumstances your Committee are not of opinion that any reconsideration of the practice is at present called for, more especially in view of the proposed changes in the Appropriation Acts dealt with in paragraph 8 of the Third Report of your Committee, which have been recommended for the purpose of strengthening the control of Parliament in regard to the appropriation of the moneys in question.

31 *July* 1894.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, 25th July 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Alpheus Morton.
Sir John Hibbert.
Sir Arthur Hayter.
Mr. Arthur O'Connor.
Mr. Buchanan.

DRAFT FOURTH REPORT, proposed by the *Chairman*, read the first time, as follows:—

"CLASS VI.

"NON-EFFECTIVE AND CHARITABLE SERVICES.

"VOTE 1.—SUPERANNUATION AND RETIRED ALLOWANCES.

"1. IN paragraph 2, referring to Sub-Head A., the Comptroller and Auditor General draws attention to five cases of Superannuation Allowances, as constituting one of the results of a non-compliance with the new rule as to retirement, which he had no opportunity of noticing in his Report of last year. Your Committee learn that the gentlemen in question were kept on for a very short time after 31st December 1891 to enable them to complete a further year's service. Most of them were on the point of completing it, some within a few days, others within a few weeks. It was thought only reasonable and fair that a slight concession in the way of extension of service should be made. These were indeed exceptional cases, which, on the introduction of the new rule, the Treasury thought might properly be met by some relaxation in the superannuation rules, that is to say, allowing the officials in question to remain for the purpose of completing their service. Your Committee concur with the Comptroller and Auditor General in considering that a matter of this kind, where the circumstances are exceptional, falls within the discretion of the Treasury.

Q. 3164.
Q. 3166.
Q. 3167.

"2. In paragraph 7 the Comptroller and Auditor General, referring to Sub-Head C., Gratuities, notices five cases of over-payment which the Treasury have treated as irrecoverable. Your Committee learn that after full inquiry into the facts the Treasury found this course unavoidable, as recovery had proved to be impossible.

Q. 3166.
Q. 3168.

"3. Your Committee notice a case where a pension has been granted to a gentleman without his having a Civil Service certificate, and who was paid from fees, as mentioned by the Comptroller and Auditor General in paragraph 5 of his Report. The statement that he did not hold a certificate was made under misapprehension. As regards his general status, his case, like that of others paid by fees in the same Department, has, since the date of the Comptroller and Auditor General's Report, been explained by the Treasury Minute of 5th April 1894; *see* Parliamentary Paper, No. 64, of 1894. The Comptroller and Auditor General is now satisfied with the statement of the Treasury that the question was one of good faith, and your Committee would accept this view.

Q. 3184.
Q. 3187.

"4. In reference to Compassionate Allowances, the attention of your Committee has been drawn to the question as to how far the power of granting these, as exercised by the Treasury, is statutory or discretionary. Your Committee bear in mind that the Compassionate Allowances granted to the person injured in the case of an injury, or to the relatives of a person who has been killed by an injury, are under a Treasury Warrant of September 1887, which was drawn under powers conferred by the Superannuation Act of 1887. The amount, however, is fixed not by Statute, but by the Treasury itself.

Q. 3188.
Q. 3193 and 3194.

"5. In reference, however, to Grants from the Compassionate Fund, under Sub-Head F. of this Vote, the Comptroller and Auditor General states that the Treasury will call the attention of Parliament to the fact that these Grants are made by the Treasury at their discretion, and that they are not paid under statutory authority, by means of words to be added to future Estimates. Your Committee learn that this has been done in the Estimates for 1894–95.

"6. Your

"VOTE 5.—PAUPER LUNATICS, IRELAND.

"6. Your Committee observe that the Vote was not enough to meet the requirements, that there stood over a claim of 57*l.* 10*s.* 9*d.*, and that consequently the payment had to be postponed and provided for in the Estimates of the following year. In a case of this kind an extra provision is Q. 3198. made in the following year in order to meet the deficiency in the past year. The Vote is a Grant in Aid, so the details are not audited by the Comptroller and Auditor General, and he only sees the certificates, which are virtually the receipts of the accounting officer for the sums handed over Q. 3206. to him.

"CLASS VII.

"VOTE 2.—MISCELLANEOUS EXPENSES.—APPROPRIATION IN AID.

"7. In reference to paragraph 3 of the Comptroller and Auditor General's Report, your Q. 3219. Committee have considered the traditional rule of exemptions from search fees in the Lyon Office. There appears to be no doubt that the Act does expressly impose these search fees, and therefore the exemption of the searchers from paying these fees is very questionable. If the practice should be continued, it will require fresh legislation. The Treasury are inquiring, and until these inquiries Q. 3220. are complete, the Comptroller and Auditor General will not be able to make a positive report.

"8. Your Committee observe that, both in respect to the character of the Vote itself and to Q. 3247. the amount received from Appropriations in Aid, this Vote requires special scrutiny by the Treasury. There might be doubt whether the fact that the Appropriations in Aid exceed the total expenditure is not calculated to lead to unnecessary expenditure. But if the total Vote had been exceeded, an application would have had to be made to Parliament for a Supplementary Estimate just the same. In other words, supposing the total which the Department was intended to spend (the Grant being 11,748*l.*) had been exceeded, a Supplementary Estimate must have been Q. 3249. submitted to Parliament to admit of the application of additional Appropriations in Aid.

"9. As to the remission of fees by direction of the Treasury (*see* page 504), your Committee Q. 3267. observe that a Vote has to be obtained from Parliament. If there are any special circumstances which seem to justify the remission of the fees, the Treasury would pay the fees themselves out of the Civil Contingencies Fund, and then ask Parliament to repay the sum to that Fund. Thus Q. 3268. Parliament would have cognisance of it when considering the Vote for repayments to the Fund.

"VOTE 3.—PLEURO-PNEUMONIA.

"10. Your Committee have duly observed the 20,000*l.*, under Sub-Head B. of this Vote, of expenditure more than was granted by Parliament. But it is shown in a footnote that an Act has been passed which is sufficient authority, the object being to enable the Treasury to give a larger Q. 3271. portion of the Grant to Ireland than it previously could.

VOTE 4.—HIGHLANDS AND ISLANDS OF SCOTLAND (GRANTS IN AID OF PUBLIC WORKS AND COMMISSIONERS).

"11. In paragraph 2 the Comptroller and Auditor General adverts to the continued delays and difficulties in carrying out the Western Higlands Works Act of 1891, which have not yet been overcome. Your Committee learn that the procedure required by this Act takes a much longer Q. 3272. time than was anticipated. There are references first to the County Councils, then to the Board of Trade, then to the County Councils again, and then back again to the Board of Trade. The result has been that until nearly the end of 1893–94 there was no work actually got in hand. Now, however, a great many harbours are going through this procedure; 15 minor harbours are actually in hand, and four more are expected to be in hand immediately. Your Committee have inquired Q. 3291. more particularly as to the causes of this delay, for which the Scotch Office, with apparent justice, disclaims responsibility. At the best there must be some considerable delay, unless the Act shall be modified, between the County Council applying for the Grant in Aid and the actual Grant from Q. 3273. the Treasury, even as long as eight months. And the difficulty is increased by the fact that in the crofter counties these Councils only meet at rare intervals, and can with difficulty be called together. The consequence has been that although in the previous years there have been unexpended Q. 3286. balances, yet in the year 1893–94 nearly the entire Vote was expended. There is reason, however, to believe that the procedure might be shortened, but for this some amending legislation would be necessary. The details of the actual processes will be found in the answer to Q. 3282 in the Minutes of Evidence. Perhaps the delays may not continue; but if they do, then some change in procedure will be necessary.

"12. Meanwhile your Committee observe that the Vote has had the appearance of being an inflated one. One consequence has been that, as more money was obtained than the actual Q. 3302. necessities of expenditure required, a sub-head, not in the original Vote, was started with Treasury sanction as being within the four corners of the Vote, and with an appropriation of no less than 5,500*l.*; and yet 15,000*l.* were left to be surrendered.

"13. Your Committee have noticed the case of Lerwick Harbour, where the money was Q. 3308. borrowed from the Public Works Loan Commission at a time when no Grant was obtainable. By the arrangement made the borrower received other public money under the form of a Grant, and out of that was able to pay back the loan. So the transaction may be described as paying back public money with public money. And your Committee consider that a simpler procedure would have been to get the amount written off under the annual Public Works Loan Bill. Q. 3315

 "14. Your

"VOTE 5.—CHICAGO EXHIBITION.

Q. 3324. "14. Your Committee observe that this is a Parliamentary Grant in Aid paid in a lump sum; it is voted *en bloc* without any details being given; the certificate of the Secretary to the Commission being taken as a receipt and voucher; no return being made to Parliament; but Q. 3327. doubtless a balance sheet could be obtained when the accounts are finally wound up.

"VOTE 9.—CROFTERS' COLONISATION (ADVANCES IN AID).

"15. The Comptroller and Auditor General has been unable to admit the amount of the Grant, 7,500*l.*, as properly chargeable under the Exchequer and Audit Departments Act, because the requisite details and vouchers have not been furnished. The Treasury quite admit this reason for disallowance. It is explained, however, that the service is one for which the Vote ought to have Q. 3430. been expressly taken as a Grant in Aid. This would have been done from the very first only that in the two first years in which the Vote was taken there were certain administrative expenses included in the Vote, besides the actual Grant for colonisation, which is admitted indeed by the Q. 3410 to 3416. Treasury. The consequence was that the total Vote was not taken as a Grant in Aid, though in the details the Grant is called 'Advances in Aid of Colonisation.' The intention of the Treasury was that it should be considered as a Grant in Aid. This intention, however, did not find expression in the Parliamentary Resolution; in short, there was an oversight which has brought about this technical irregularity. Your Committee have examined this case more particularly. It appears that for so much of the money as has been spent vouchers and accounts can be rendered. Q. 3349. But a great part of it has not been spent, being not required in the year. Being treated as a Grant Q. 3352 and 3356. in Aid, it was not surrendered but held over for future expenditure. Indeed, out of the 7,500*l.* about 7,283*l.* are unspent, and are in the hands of the Colonisation Committee. The money has been held back and is lying in the bank, interest being obtained on it. Your Committee learn that, had the experiment proved more successful than it actually has been, more crofters would have been Q. 3354. sought for and sent out to Canada. But as the circumstances actually stood, it was thought better to suspend action. All this was done with the knowledge of the Treasury. The Scotch Office hoped that next year an opportunity might occur for working the scheme more favourably, and they might be able to spend the money in the following year.

"16. Your Committee agree with the Treasury in considering that, if there be no intention of soon spending the money, steps ought to be taken to surrender the same, and if in a future year the scheme should be revived, application might be made to Parliament for renewal of the Grant.

"17. Your Committee would add that in the answer to Q. 3343 in the Minutes of Evidence some details will be found of the circumstances attending the introduction of the experiment in Canada. It may be added that the Scotch Office had for the previous year some accounts which they were able to render to the Comptroller and Auditor General, but in this year under report Q. 3436. there was but little expenditure, and no accounts were existing.

"VOTE 10.—RELIEF OF DISTRESS, IRELAND.

"18. Your Committee has given some general consideration to the degree of supervision exercised by the Treasury over the Board of Works in Dublin. The Treasury claims that it does exercise such control, and does duly examine the Reports received from the Board. The Financial Secretary to the Treasury also visits Ireland occasionally for inspecting the works which are being carried out. Indeed, there is no Department that comes more constantly under the notice of the Treasury than this.

"19. The Comptroller and Auditor General, having specially considered these Accounts by reason of their abnormal character, would distinguish between the expenditure for the ordinary Q. 3477. relief of distress and that upon the railways undertaken for the same object. The expenditure on relief was, from the necessity of the case, very imperfectly vouched. It was undertaken under grave pressure, and it was difficult to ascertain whether the sums paid had been fully earned by the labourers to whom employment had been afforded. But he has no reason to doubt that the expenditure, as a whole, represented a *bonâ fide* outlay on the part of the officers engaged for the relief of distress.

"REVENUE DEPARTMENTS.

"VOTE 1.—CUSTOMS.

"20. In paragraph 4 the Comptroller and Auditor General remarks that certain rules applicable to Store Accounts were to come into operation on the 1st July 1893. It appears that they are in operation under an order of the Board of Customs, and that these Accounts would be susceptible of Q. 3485. test examination by the officers of the Comptroller and Auditor General.

"VOTE 2.—INLAND REVENUE.

"21. Adverting to certain exemptions of Stamp Duties on Drawbacks, the Comptroller and Auditor General has occasion to point out that no general power has been conferred on the Treasury Q. 3488. to remit duties that are imposed by Statute, and if any practice of exempting is to be maintained, the sanction of an Act of Parliament would be required. The Treasury reply that though the practice has existed since 1848, still they do not claim to have the power of remitting; and that as Q. 3489. an alternative to fresh legislation, it has been deemed preferable to withdraw the exemptions, so that no question will arise in future.

"22. Your

"VOTE 3.—POST OFFICE.

"22. Your Committee observe that certain extra receipts appertaining to this Vote which have hitherto been paid to the Exchequer have this year, for the first time, been treated as Appropriations in Aid. This is only doing in the case of the Post Office that which has been carried out with almost all the other Votes.

"23. In reference to paragraph 1 it is observed that the Treasury consider that there is a certain excess expenditure to which they are unable to give sanction, and which must be left to the consideration of your Committee. In brief, the circumstances were these: It was necessary to send an officer to Constantinople to survey the office there, as the office had not been personally surveyed for 10 years. He was paid at the rate authorised by a Treasury letter of 29th September 1883 for such occasional services. From various causes his stay there was extended. He had, among other things, to inquire into some robberies which had occurred. The payments made on account of this mission were in accordance with the authority received from the Treasury; but the fixed provision for such expenditure (200*l.*) was exceeded. In finding fault with the expenditure that was incurred, the Treasury object, not because it was contrary to authority, but because they regarded the arrangement as extravagant; and to mark their sense of the extravagance, they thought the best way would be to send the correspondence to your Committee, although it is a question of administration rather than one of authority. The objectionable arrangement was the payment at the rate of 200*l.* a year, plus 30*s.* a day subsistence allowance and travelling expenses for such a length of time, in addition to the ordinary salary. Your Committee desire to support the view of the Treasury in this matter. But it will hardly, under the circumstances, be possible to do more than convey this opinion to those concerned, inasmuch as the money has been already paid to the individual officer. Q. 3500.

"24. In paragraph 7 the Comptroller and Auditor General notices the apparent insufficiency of various explanations given of the causes of variation between expenditure and grant in various instances. Your Committee have inquired more particularly into these variations. Certainly, in so large an expenditure as 6½ millions they are comparatively few and small, not amounting to more than 1 per cent., and showing that practically the Estimates are very near the mark. Still, in the cases where differences do occur, the explanations given are not sufficiently explicit for the information of Parliament. Your Committee learn that there will be no difficulty in rendering such explanation, and they have impressed on those concerned the desirability of doing this with exactitude in future. Q. 3501. 3544.

"VOTE 4.—POST OFFICE PACKET SERVICE.

"25. In paragraph 2 the Comptroller and Auditor General remarks that the transfer of certain Government property, namely, the Dover Pier, to a local authority has been attended by the creation of a new charge upon a Vote of Parliament. On this the Treasury reply that, while the Dover Harbour Bill was before Parliament, the Board of Trade objected to there being a clause exempting mail packets from harbour dues, and therefore the Post Office, under the Act when it passed (54 & 55 Vict. c. 125), became liable to those dues, so long, at least, at any rate, as the present contracts with the Belgian Government were in existence. However, the Anglo-Belgian Postal Convention has now come to an end, and in the new Convention the Belgian Government, instead of the British Post Office, will be liable for the dues, and this arrangement has been carried out. Q. 3545.

"VOTE 5.—POST OFFICE TELEGRAPHS.

"26. The Comptroller and Auditor General suggests that there should be a foot-note added, showing the value of the stock in hand at the end of the financial year, inasmuch as such notes have for many years been given in the case of the Army and Navy Accounts, and their adoption by the Post Office would be attended with considerable advantage. Your Committee learn that this will be carried out. Q. 3549.

"CONSOLIDATED FUND.

"27. This does not seem to require remark from your Committee.

"TREASURY CHEST.

"28. Your Committee have noticed the large cash balances kept up at some of the stations abroad (*see* page 8), especially at Bermuda and Hong Kong. Last year a reduction at Hong Kong was effected. Your Committee have impressed on the Treasury the expediency of keeping their balances as low as may be compatible with efficiency in the same way as was done last year with the balances in the United Kingdom. Qs. 3559 and 3561.

"LOCAL LOAN FUND.

"29. In paragraph 8 the Comptroller and Auditor General (*see* page 27), after referring to the balance of interest outstanding on loan written off the assets of the Fund, the accumulation of arrears, and other points, goes on to say that he has caused the matter to be brought under the notice of the Treasury. Your Committee now learn that the Treasury, after consultation with the Q. 3566.

Public Works Loan Commissioners, have adopted the Comptroller and Auditor General's suggestion to such an extent that he is satisfied that his point is sufficiently met for the present, though he is not sure that the matter has attained finality. The effect will be that not only will the Q. 3567. Loan Commissioners cease to include in their accounts accumulated arrears which there is practically no hope of recovering, and which are consequently misleading; but their accounts will be brought Q. 3570. into conformity with the Loan Accounts of the Irish Board of Works.

"CIVIL CONTINGENCIES FUND.

Q. 3573. "30. Under this heading your Committee observe that again a question has arisen regarding the remission of stamp duties on special occasions. In reply the Treasury admit that they have not power to make such remission without the covering sanction of Parliament.

"31. Your Committee will now advert to several topics which have presented themselves during the consideration of these accounts.

"V.—Stocktaking in all Departments—Civil and Military.

"32. Your Committee will conclude this report by some observations on a subject which has been repeatedly mentioned during their sittings, and touched upon several times in the evidence, namely, that of stock-taking. They have taken some special evidence on this subject.

"33. It appears that some time ago the stock-taking of the stores in the great Departments, War Office and Admiralty, was distinctly defective. Before the Public Accounts Committee the representative of the War Office was asked whether he could give a rough estimate of the value of the stores at Woolwich, and he could not. As another instance, about the same time, some 6,000*l.* worth of coal was discovered at Portsmouth, of which the authorities had no cognisance because it was not on their books. It is believed that, on research, other instances to a similar effect could be adduced. At the same time, the Comptroller and Auditor General adds that mainly through the Q. 3650. action of the Public Accounts Committee, and the Exchequer and Audit Department, we have now got valuation accounts which we never had before, and we now know a great deal more about the value of the stores than we ever did previously. All this he holds to be important because these Q. 3651. valuations are put into the Appropriation Accounts, showing, for example, that there is so much at Woolwich and so much elsewhere; and they are not mere guess-work, and are based upon the rate-books. These too are tested in the Audit Department by the taking of instances to see that these rates are accurately valued into the Stock Accounts. The Audit Department does not indeed Q. 3670. guarantee that the whole has been thus accurately valued, but it does test all this by taking instances. It is only within the last 10 years that this store audit has been undertaken. He evidently thinks that goods results have flowed from the Treasury Minute of 15th November 1866, which imposed on him the duty of store audit.

Q. 3665. "34. Nevertheless at the present moment the Comptroller and Auditor General does not consider that the stock-taking as now conducted in the great Departments, however much it may have been improved, is perfectly satisfactory. It does, he thinks, still lack something, and still further improvement might be made. He has indicated before now in his Reports that the Departments have hardly yet realised to the full their responsibility in the matter, and that more might possibly be done. A very great deal has been effected in the way of bringing up and levelling up the control over cash, and if the control over stores is not quite up to the same form, the action of the Audit Department with the support of the Public Accounts Committee will have a considerable effect on the stores also.

Q. 3582. "35. On the whole the Comptroller and Auditor General informs your Committee that though he has in his Reports not infrequently raised questions connected with deficiencies brought out by the stock-taking, still he has no reason to doubt the trustworthiness or accuracy of the stock-taking as a whole.

Q. 3606. "36. On the other hand he is not sure that the stock-taking as now conducted in the Departments is all that it might be, or all that it should be. On the contrary, he apprehends that various improvements in detail are both desirable and practicable: but such arrangements would require exact consideration in concert with the departmental authorities themselves, and your Committee Q. 3706. consider that under the existing Treasury Minute this might be now undertaken with advantage. He thinks that there should be an investigation into the steps actually taken in the various branches of the Admiralty and the War Office. He adds that the whole system had never yet been fully explained to Parliament.

"37. As regards the existing system your Committee observe that there is now a stock-taking Q. 3698. continuously going on, of a certain kind, in each Store branch, and that is checked by an independent test stock-taking by officers of the department. In the War Department this stock-taking is under the War Office direct, and independent of the departments concerned. In the Admiralty there is Q. 3699. a difference of system, namely, this, that the Director of Stores sends down from London to the Stores two officers of his own who perform a special stock-taking, irrespectively of the general stock-taking which goes on continuously in the Dockyards. These officers belong to the Store branch Q. 3700. itself, though they are of course independent of the storehousemen. Still, they are officers of the Director of Stores, and in that sense he is taking his own stock, which arrangement is open to some objection. Your Committee presume that at least there would be no difficulty in assimilating the practice of the Admiralty in this respect to that of the War Office, and that the Admiralty, instead of the Director of Stores, could send down the officers from London.

"38. It

"38. It may here be added that some analogy is afforded by the existing practice in respect of cash. In 1872 the Treasury held that the checking of balances is an administrative duty not pertaining to the audit. The Public Accounts Committee concurred in this view. Accordingly the cash balances in the hands of officers are not verified by the Audit Department. Q. 3646.

"39. Respecting the functions of the Comptroller and Auditor General, your Committee observe that the Exchequer and Audit Act is silent on the subject of stores and stock. Therefore, stock-taking is not among the duties imposed on him by law, and would not be covered by the Act. On the other hand, no fresh legislation would be required for it. Indeed, it would be an extra statutory undertaking. It could, however, be undertaken under administrative authority from the Treasury. Qs. 3662, 3663, and 3664.

"40. At present the Comptroller and Auditor General considers himself forbidden to take stock, and debarred therefrom by the very Minute of the Treasury which imposes on him the duty of the Store audit. Nevertheless, on more than one occasion, either for examining the stock-valuation or for other special reason, he has personally to some extent done some stock-taking in the Dockyards. Such action on his part has, however, been rare, and did not amount to regular stock-taking. He held that his official position justified this individual action of his for a specific and limited purpose. Q. 3578. Q. 3642. Q. 3599. Q. 3608 to 3618.

"41. Upon the subject, as a whole, your Committee observe that the stock-taking now continuously going on in the departments must be maintained with the unimpared responsibility of the departmental officers. If it were suggested that another or second stock-taking should be undertaken independently of the departments by the Treasury or the Comptroller and Auditor General, then they observe that such an operation would be too vast, cumbrous, and costly to be practically contemplated.

"42. But it is admittedly practicable (apart from any question of expediency) to have a test or sample stock-taking, with a very limited though expert establishment, and consequently at a slight cost, independent of the department, and directly under the Treasury or the Comptroller and Auditor General. Your Committee have particularly consulted the Comptroller and Auditor General and the Treasury on the expediency of such a project, and the opinion of both these authorities is decidedly against it. Q. 3592. Qs. 3579 and 3716.

"43. The Comptroller and Auditor General says that first of all there is the expense; that, however, might be regarded as inconsiderable, probably 10,000*l.* a year, if any advantage were to be gained in so great a matter as that of the Stores. But he goes on to say that a weakening of departmental responsibility would thereby be caused, and a very serious responsibility would be transferred to the Audit Department, fully weighted already with its cash duties. He holds that there is a tendency to magnify the value of an outside check. Moreover, a sample is, he thinks, too small a thing to be useful when we are dealing with such vast stocks as those under consideration. If anything should turn out wrong in the stock, then the departmental authorities might try to cast the onus on the Comptroller and Auditor General, and to ask why he did not find it out, although he had only a small establishment able to apply a test once in, say, five years. The matter is one of opinion, and your Committee cannot but give attention to the strongly expressed view of the Comptroller and Auditor General as a Parliamentary officer. Q. 3594. Q. 3592. Qs. 3593 and 3595.

"44. Further, your Committee learn that the Treasury consider the objection as one of principle. They think that the immediate effect would be to commit to the Comptroller and Auditor General an indefinite part of one of the functions of administration which properly belong not to an auditor, but to the chief of the administering and spending Departments; and that if the proposed test stock-taking be done upon a small scale, and it is suggested on a comparatively small scale only, then it would be practically useless, having regard to the enormous field and infinite variety of stock to be taken in the Departments. Further, the Treasury appear to apprehend that after the introduction of such a measure, there might arise various complications in the future, into which your Committee need not now enter. Q. 3717.

"45. On the other hand the Treasury recognise fully that the reports of all stock-taking officers should be open to the Comptroller and Auditor General and his officers. He can then comment freely on those reports, criticise the regulations under which they are made, and express his opinion as to how far those regulations are fitted for their purpose, and have been observed.

"46. After considering the objections thus urged by the two authorities principally concerned, your Committee do not feel able to recommend an independent test stock-taking even on a limited scale.

"47. But in several passages of the evidence there occurs a suggestion which your Committee think may be utilised with advantage; it amounts to this, that the Comptroller and Auditor General should be empowered by the Treasury to cause a special stock-taking to be performed in any case where, from any suspicion or apprehension of error, or other cause, he may deem such a measure to be desirable or necessary. According to this he would have power to require that the stock should be taken in the presence of himself or his officer. He would of course be the sole judge as to the case or cases in which this power should be exercised, and of the reasons by which such exercise would be justified. As a Parliamentary officer he could be trusted not to exceed or abuse such authority, but on the other hand to render it effective and fruitful in result. In the instance or instances that might thus be affected the check would be absolute; but further the knowledge that such a power resided in the Audit Department would ensure the utmost carefulness on the part of the Departmental authorities in having their stores accurately reported and valued, Qs. 3657 to 3651 and 3712.

and also in making their stock-taking as complete as possible. Your Committee believe that this, so far as it goes, would be a step in advance. The hands of the Comptroller and Auditor General would thus be strengthened without any undue responsibility being cast upon him, and without the responsibility of the Departmental officers being impaired. Your Committee understand that neither the Treasury nor the Comptroller and Auditor General have any objection to this procedure, but on the contrary anticipate advantage from it. For this purpose it will be necessary that Treasury authority should be conveyed to all concerned.

Qs. 3660, 3711, and 3712.

Q. 3714.

"I. The Power of the Treasury to sanction Deviations from the Details of an Estimate, within the Aggregate Total of a Vote.

"48. Your Committee find that this power of deviation has not been explicitly given by Parliament, but it necessarily follows upon the general terms of the resolutions granting each Vote to the Sovereign, which terms are subsequently ratified by the Appropriation Act. If Parliament grants to the Crown a certain sum for a certain service in a given year, without any more definite appropriation in the terms of the grant, it is legally competent to the executive to expend that sum, at discretion, in the year, upon that service. The details appended to the estimate on which the Vote is taken show what are the current services and what are the expected services, at the time at which the estimate is prepared, and afford subsequently a means of comparison by the Comptroller and Auditor General between forecast and actual results; but those details are not so binding on the Executive that they cannot be varied when the public interest urgently requires it, within the limits of the total Vote.

"49. Your Committee understand that the good faith of Government is pledged by the details of an estimate on the strength of which Parliament grants the Vote. They must represent actual facts and the real intention of Government. But they do not preclude Government from making such changes as may be requisite to meet the varying necessities of the time.

"50. According to constitutional practice, the Queen, by Royal Order, places the total grant at the disposal of the Treasury, and the Treasury entrusts its expenditure to the Department immediately responsible for the service, and requires that Department in the conduct of such expenditure to abide by the leading features of the estimate, or by the exact details, according to the nature of the service, unless Treasury sanction be obtained for a deviation therefrom. Parliamentary appropriation is confined to the restriction of the expenditure of the total grant to "the four corners of the Vote," and to a given time.

"51. Your Committee find also that the power of deviation has been exercised ever since estimates have been presented in detail; and the occasions for its exercise necessarily grew as the organisation of the estimates became more precise and detail increased. The Treasury control over its exercise has been supported and extended by the Public Accounts Committee since their origin as a Standing Committee in 1862.

See Appendix.

"52. Your Committee observe that indirect evidence of Parliamentary recognition of the necessity of Treasury sanction for the exercise of the power, and therefore of the existence of the power itself, is afforded by Section 27 of the Exchequer and Audit Departments Act, 1866, which requires the Comptroller and Auditor General, at the request of the Treasury, to ascertain whether all or any expenditure has received Treasury sanction, and to report it for disallowance if such sanction cannot be produced.

Ibid. vi.

"53. Your Committee do not find that the terms of Section 4 of the Appropriation Act (under which the Treasury sanctions the use of surpluses on some Army or Navy Votes to meet excesses on other such Votes) apply also to deviations from the details of an Estimate and excesses on Sub-Heads of an Estimate within the limits of a Vote. The origin and nature of this section were explained in a memorandum by the present Assistant Comptroller and Auditor, which is printed in the Appendix to the Second Report of the Public Accounts Committee of 1879, p. 57. Its object was to regulate excesses on Army and Navy Votes, and it leaves the pre-existent and independent power of deviation within the limits of a Vote untouched. If all other evidence of this were wanting, it would be sufficiently proved by the fact that the section relates to Army and Navy Services only, whilst the power of sanctioning deviations from the details of the Estimate within the limits of the total Vote has been exercised by the Treasury from the first in regard to civil services, as much as in regard to naval and military.

"Application of Surplus in one Sub-Head to meet Deficiencies in another Sub-Head.

"54. In several passages among the Minutes of Evidence reference is made to the application of a surplus under one Sub-Head to meet a deficiency under another Sub-Head within a Vote in the Civil Services, with Treasury sanction under existing rules and practice. On this a question has been raised as to whether the spending Departments have not sometimes obtained from Parliament more money than was needed, and then allotted the surplus thus accruing to another Sub-Head, or spent it on a new Sub-Head not contemplated when the Estimate was framed. On this your Committee are assured that neither do the spending Departments deliberately ask for, nor does the Treasury deliberately sanction, more money under any Sub-Head within a Vote, than is anticipated to be necessary when the Estimate is framed. The detailed information supplied to Parliament in support of the Estimate, though not actually binding on the Treasury, is yet as accurate

accurate as it can be made at the time of framing the Estimate. But it must frequently happen that a little more than was expected will come to be required under one Sub-Head and a little less under another, so that there will be surpluses and deficiencies on the Sub-Heads generally. If, then, a surplus is not to be available to meet a deficiency within the Vote, the result would be, as your Committee are assured, that additional provision would be made under each Sub-Head in the Original Estimates. Such a provision would place additional funds at the disposal of the spending Departments. And although in the end there might be a surplus on the whole Vote liable to be surrendered, yet there would be a temptation to spend rather than surrender. Thus the outcome of any restriction with regard to the present availability of surpluses on detailed items of Estimates would almost certainly be adverse to economy. On the other hand, the exercise of the sanction of the Treasury will always be open to the criticism of the Public Accounts Committee. Your Committee would add that, if there were no powers to apply savings from one Sub-Head to meet excesses on another, numerous Supplementary Votes would have, probably, to be presented, and there are manifest objections to multiplying Supplementary Estimates.

" 55. As regards new Sub-Heads not contemplated in the Original Estimates, your Committee observe that if the particular service be clearly a part of the service for which the Vote was taken, the Treasury sanction would be valid. But if there be any doubt on this point, if there be any question as to whether the particular service, though cognate to the service under the Vote, was of a nature within the contemplation of Parliament when the Vote was taken, then the sanction of the Treasury should be withheld and the sanction of Parliament obtained.

" II. The Power of the Treasury to sanction Gifts of Stores for Charitable Purposes.

" 56. Your Committee learn that the exercise of this power has been called in question more than once. Strictly speaking, no such power exists. To use a naval or military store for other than a naval or military purpose, and yet more for other than an Imperial service, is technically a misappropriation. All that the Treasury really does, by giving a covering sanction to such a misappropriation, and directing its record on the face of the Appropriation Account, is to signify that the circumstances were such as, in their opinion, Parliament would probably hold to justify the act.

" 57. When it is unnecessary to replace the stores, the Treasury appear to hold that no money need be voted on account of them. If the stores must be replaced, it would be, no doubt, open to the Treasury to advance their value from the Civil Contingencies Fund in anticipation of a Vote. But your Committee learn that the disposition of the Treasury has usually been of late years to require the Naval and Military Departments to record such charitable donations in their own accounts, so as to keep the responsibility for them on the right shoulders.

" When, however, the occasion cannot be met by the immediate gifts of the naval and military authorities, and it becomes necessary to appeal to Parliament for a money grant, the Treasury has to assume an initial responsibility for the expenditure, and the requisite Vote finds its proper place amongst the Civil Estimates. Indeed the Comptroller and Auditor General considers that repayment of the value of the stores should be made to Army or Navy Funds from the Civil Contingencies Fund by a special Vote.

" 58. Your Committee concur in the opinion of the Treasury, that it is impracticable to forbid gifts of this kind wholly. But it is imperative upon the Departments, whose officers have taken upon themselves the responsibility for these gifts, to report them to the Treasury, and record them in their accounts for the information of Parliament.

" Audit of Grants in Aid.

" 59. In several parts of the evidence some discussion has arisen as to whether Grants in Aid should be subjected by administrative orders to audit by the Comptroller and Auditor General, as they do not fall within the provisions of the Exchequer and Audit Act. Unless it be established otherwise, by administrative rule or practice, a Grant in Aid would not be thus audited, and the certificate of the Accounting Officer would suffice for the Comptroller and Auditor General. Your Committee find that the rule or the practice has not been quite uniform, and that of these various Grants some are audited as non-appropriation accounts, and some are not. By a non-appropriation audit is implied an audit which does not question the total expenditure, but which does follow the details of the expenditure to see that they are within the service for which the Grant was made. For instance, the Picture Grant for the National Gallery in London, and that for the National Gallery in Dublin, are thus audited. On the other hand, those for the Royal Society in England and Pauper Lunatics in Ireland are not. It will suffice to give instances for illustration without pursuing all the existing cases. Your Committee recommend that the Treasury should consider how far it would be expedient and practicable to bring all Grants in Aid under a non-appropriation audit by the Comptroller and Auditor General. Possibly there would be no difficulty in regard to those Grants which are administered by official or *quasi*-official bodies. But with those Grants that are administered by non-official bodies, such as that for the Chicago Exhibition, or that for Crofter Colonists in Canada, some circumspection would be needed if the accounts of expenditure are required.

"APPLICATION OF EXTRA RECEIPTS IN AID OF GROSS ESTIMATED EXPENDITURE.

Q. 2484, 2513.

"60. A question has been raised in the Committee as to the expediency of reconsidering the practice under which the Extra Receipts of the Departments are appropriated in aid of the Grants of Parliament for the respective services; and the present system has been objected to on the ground that it tends to mislead Parliament as regards the total expenditure for which provision is made. But the system to which this objection is raised was, in fact, based upon the precisely opposite contention that the previous practice had the effect of conveying an inaccurate impression, both to Parliament and to the public at large, as regards the real revenue and the real cost of the government of the country.

See para. 2, Third Report Public Accounts Committee, 1881, Parliamentary Paper, 350 of 1881. *See* Appendix, Third Report Committee of Public Accounts, p. 16.

"61. The question of the mode of dealing with Extra Receipts was under departmental inquiry and consideration for many years, and had been repeatedly under the notice of different Committees of Public Accounts until, finally, it formed the subject of an exhaustive inquiry by the Public Accounts Committee in 1881, in connection with a scheme placed before the Committee by the Treasury in their Minute of 27th June 1881. In this Minute the Treasury summarised the objections to the then existing practice as follows:—

"'(1.) The paying of a large proportion of these receipts into the Exchequer, and the 'consequent voting or re-voting of the expenditure which they represent, have the effect of over-'stating both the public revenue and expenditure, or, as the public understand it, the taxation of the 'country and the cost of government, by a sum which may be roughly stated at the present time as 'more than 4,000,000*l.* annually.

"'(2.) The Departments do not get credit for their receipts, and have not therefore inducement 'to realise them, and thus reduce to the utmost the net charge of government upon the 'taxpayer.

"'(3.) Apart from these objections of principle, there is also the objection that, under present 'practice, there is no uniformity or consistency among the different Departments in their method of 'treating Extra Receipts.'

See Third Report, as cited above. *See* para. 4 of the above Report.

"62. The Committee made a separate Report on the subject, in which, with the concurrence of the then Comptroller and Auditor General, they approved the adoption of the Treasury proposal to apply the new scheme in the first instance to the Extra Receipts of the Army and Navy, which, they remarked, 'though making an important advance in the right direction, must be considered as 'tentative, and not as a final settlement.' The Appendix to the Report of the Committee gives the fullest information of the various stages of the discussion upon this question, of the inquiries upon which the scheme was based, and of the grounds upon which the expediency of the change was advocated.

"63. The extension of the system to the Votes for Civil Services has only been effected in recent years by a gradual process covering first one Vote and then another, as, for instance, the Exchequer and Audit Office in 1883–84; the Diplomatic and Consular Services in 1885–86. In 1892-93 there was a large extension covering 39 Votes (*see* paragraph 5, Comptroller and Auditor General's General Report). But there remain some to which it has not been extended. This extension has been approved by different Public Accounts Committees. In 1883 the Committee stated that one uniform principle should be observed throughout the services, and recommended a gradual extension of the system to those Civil Service Votes which most readily admit of it (*see* Second Report, 1883, paragraph 2).

"64. Lastly, the change of practice, which originally rested upon directions in Treasury Minutes, has received statutory authority under Section 2 (3) of the Public Accounts and Charges Act of 1891.

"65. It is clear, therefore, to your Committee, that so far from there being evidence of grounds for reversing the conclusions arrived at, after full and complete inquiry, by the Public Accounts Committee of 1881, those conclusions have been repeatedly affirmed or practically sustained by subsequent Committees, and formally approved by Parliament itself in the recent statute above quoted.

"66. It is further to be observed that the system in question does not in any degree operate to weaken the control of Parliament over the total expenditure, or affect the functions of the Comptroller and Auditor General in his examination and criticism of that expenditure. The Gross Expenditure and the Appropriations in Aid are both shown in the Estimates, and can be criticised in detail before the Vote is taken net. If the Expected Receipts should exceed the Estimated Expenditure when the Estimate is framed, then only so much of them is proposed for appropriation as may leave a nominal balance of expenditure to be voted, in order that the Estimate may come under Parliamentary review. In that case the unappropriated remainder would be paid into the Exchequer.

"67. In these circumstances your Committee are not of opinion that any reconsideration of the practice is called for, more especially in view of the proposed changes in the Appropriation Acts dealt with in paragraph 8 of their Third Report which have been recommended for the purpose of strengthening the control of Parliament in regard to the appropriation of the moneys in question."

Question, That the DRAFT REPORT, proposed by the *Chairman*, be read a second time, paragraph by paragraph,—put, and *agreed to*.

Paragraph

Paragraph 1, amended, and *agreed to.*

Paragraph 2, *agreed to.*

Paragraph 3, amended, and *agreed to.*

Paragraphs 4—5, *agreed to.*

Paragraphs 6—7, amended, and *agreed to.*

Paragraphs 8—10, *agreed to.*

Paragraph 11, amended, and *agreed to.*

Paragraphs 12—13, *agreed to.*

Paragraph 14.—Amendment proposed, in line 4, after the word "Parliament," to insert the words "but in the opinion of your Committee the presentation of a balance sheet would have been more satisfactory"—(Mr. *Alpheus Morton*).—Question put, That those words be there inserted.—The Committee divided:

Ayes, 2.	Noes, 2.
Sir John Hibbert.	Sir Arthur Hayter.
Mr. Alpheus Morton.	Mr. Arthur O'Connor.

Whereupon the *Chairman* declared himself with the *Noes.*

Paragraph *agreed to.*

Paragraphs 15—17, *agreed to.*

Paragraph 18, *disagreed to.*

Paragraphs 19—22, *agreed to.*

Paragraph 23, amended, and *agreed to.*

Paragraphs 24—25, *agreed to.*

Paragraph 26, amended, and *agreed to.*

Paragraphs 27—31, *agreed to.*

Paragraph 32, amended, and *agreed to.*

Paragraphs 33—34, *agreed to.*

Paragraph 35, amended, and *agreed to.*

Paragraphs 35—38, *agreed to.*

Paragraph 39, amended, and *agreed to.*

Paragraph 40, *agreed to.*

Paragraph 41.—Amendment made.—Another Amendment proposed, at end of paragraph, to add the words "under present circumstances"—(Mr. *Arthur O'Connor*).—Question put, That those words be there added.—The Committee divided:

Ayes, 3.	Noes, 2.
Sir John Hibbert.	Sir Arthur Hayter.
Mr. Arthur O'Connor.	Mr. Buchanan.
Mr. Alpheus Morton.	

Paragraph, as amended, *agreed to.*

Paragraphs 42—45, *agreed to.*

Paragraph 46, amended, and *agreed to.*

Paragraphs 47—51, *agreed to.*

Paragraph 52.—Amendment proposed, at the end of the paragraph, to add the words "Your Committee recommend that no liability should be undertaken or money spent unless the Treasury have previously given their consent"—(Mr. *Alpheus Morton*).—Question put, That those words be there added.—The Committee divided:

Aye, 1.	Noes, 4.
Mr. Alpheus Morton.	Mr. Buchanan.
	Sir Arthur Hayter.
	Sir John Hibbert.
	Mr. Arthur O'Connor.

Paragraph *agreed to.*

Paragraph 53, *agreed to.*

Paragraph 54, amended, and *agreed to.*

Paragraphs 55—57, *agreed to.*

Paragraph 58, amended, and *agreed to.*

Paragraph 59.—Amendment proposed, in lines 11 and 12, to leave out the words "and that for the National Gallery in Dublin are," and insert the word "is"—(The *Chairman*).—Question put, That the words proposed to be left out stand part of the paragraph.—The Committee divided:

Ayes, 2.	Noes, 2.
Mr. Alpheus Morton.	Mr. Buchanan.
Mr. Arthur O'Connor.	Sir Arthur Hayter.

Whereupon the *Chairman* declared himself with the *Noes.*

Proposed word inserted.

Another Amendment made.

Paragraph, as amended, *agreed to.*

Paragraph 60, amended, and *agreed to.*

Paragraph 61, *agreed to.*

Paragraphs 62–63, amended, and *agreed to.*

[Adjourned till Tuesday next, at Half-past Two o'clock.

Tuesday, 31*st July* 1894.

MEMBERS PRESENT:

Sir RICHARD TEMPLE in the Chair.

Mr. Webb.	Sir Arthur Hayter.
Mr. Alpheus Morton.	Mr. Buchanan.
Mr. Hanbury.	Mr. Arthur Williams.
Sir John Hibbert.	

DRAFT FOURTH REPORT, proposed by the *Chairman*, further considered.

Paragraph 64.—Amendments made.—Another Amendment proposed, at the end of the paragraph, to add the words "but, with a view to strengthen the control of Parliament, insertions in the Appropriation Acts have been recommended by the Comptroller and Auditor General, which have been adopted by your Committee and are fully set out in paragraph 8 of their Third Report"—(Mr. *Alpheus Morton*).—Question put, That those words be there added.—The Committee divided:

Aye, 1.	Noes, 6.
Mr. Alpheus Morton.	Mr. Buchanan.
	Mr. Hanbury.
	Sir Arthur Hayter.
	Sir John Hibbert.
	Mr. Arthur Williams.
	Mr. Webb.

Paragraph, as amended, *agreed to.*

Paragraphs 65—67, amended, and *agreed to.*

Question, That this Report, as amended, be the Fourth Report of the Committee to the House,—put, and *agreed to.*

Ordered, To Report, together with Minutes of Evidence and an Appendix.

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

Wednesday, 20th June 1894.

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MINUTES OF EVIDENCE.

Wednesday, 20th June 1894.

MEMBERS PRESENT:

Mr. Bartley.
Mr. Hanbury.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Sir Richard Temple.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

CIVIL SERVICE APPROPRIATION ACCOUNTS, 1892-93.

Sir CHARLES LISTER RYAN, K.C.B., and Sir EDWARD HAMILTON, K.C.B., called in; and Examined.

CLASS VI.

NON-EFFECTIVE AND CHARITABLE SERVICES.

On VOTE 1.

SUPERANNUATION AND RETIRED ALLOWANCES.

Mr. CHARLES J. MAUDE, called in; and Examined.

Chairman.

3164. (To Sir *E. W. Hamilton.*) IN regard to Sub-head A., Superannuation Allowances, at the end of paragraph 2 of the Comptroller and Auditor General's Report upon this Vote, you will observe that he draws attention to certain cases of Superannuation Allowances; they are five in number. He states that he has not thought it incumbent to take exception to the increased awards of pension in the present cases; but he wishes to draw attention to these increases as being one of the results of a non-compliance with the new rule, which he had no opportunity of noticing in his Report of last year; have you any observations to make upon that passage in his Report?—These gentlemen were kept on for a very short time after the 31st December 1891, to enable them to complete a further year's service. Most of them were on the point of completing it, some within a few days, and others within a few weeks, and it was thought only reasonable and fair that this slight concession should be made. That, speaking generally, is the explanation, unless you would wish me to go into each case.

3165. (To Sir *C. L. Ryan.*) Have you any remark to make upon this point?—I have nothing further to say than what is stated in the Report.

3166. On the whole, may the Committee, in

Chairman—continued.

your opinion, regard as satisfactory what the Treasury says?—These were exceptional cases which, on the introduction of the new rule, the Treasury thought ought to be met by some relaxation in the superannuation rules, that is to say, allowing the officials in question to remain for the purpose of completing their service.

3167. So far as the Audit Department is concerned, it would be your opinion, would it, that this matter falls within the discretion of the Treasury?—It does, I think, at least where the circumstances are exceptional.

3168. (To Sir *E. W. Hamilton.*) In regard to Sub-head C., Gratuities, in the last sentence of paragraph 7, the Comptroller and Auditor General, adverting to five cases of over-payment, remarks that the Treasury have decided that these over-payments are to be treated as irrecoverable; have you any remark to make upon that to the Committee?—It was felt that the difficulties of recovering the over-payments in those cases were insuperable, and therefore the Treasury thought the only thing to do was to treat them as irrecoverable.

3169. I presume full inquiry has been made into the facts?—Yes, that is the case.

3170. (To Mr. *Maude.*) In regard to Sub-head D., Compassionate Allowances and Gratuities, in the last sentence of paragraph 8, the

Appropriation Accounts.

Vote 1.—Superannuation and Retired Allowances—*continued.*

Chairman—continued.

Comptroller and Auditor General adverts to certain gratuities which he mentions, and goes on to say that they have been altogether omitted from the present list; and are now, therefore, for the first time brought to the notice of Parliament. Perhaps you could explain to the Committee why they were not previously brought to the notice of Parliament?—The two payments to Messrs. Manning and Kelly were transferred to Ireland for payment in Dublin, and were accidentally omitted from the Supplementary Estimate, but they appear in the Appropriation Accounts, at page 473.

3171. I suppose a case of that kind is not likely to recur?—No, it is very unlikely to recur.

Mr. *Alpheus Morton.*

3172. (To Sir *E. W. Hamilton.*) With regard to the superannuation allowances to the officers mentioned in paragraph 2, who were allowed to stay on over 70 years of age, is the object to give them an extra pension?—No; the object was to make the application of the new rule to them as equitable as was possible. The honourable Member will easily understand that the application of a new rule of this kind might have been very hard upon individuals.

3173. Would the result of allowing them to stay be to give them an extra pension?—I would put it the reverse way, that one of the results of not allowing them to stay would have been to deprive them of the pension they might reasonably have looked to, if it had not been for the new rule.

3174. As a fact, it gives them, does it not, a larger pension than they otherwise would have?—Very slightly; an extra sixtieth in some cases.

3175. Still it would give them an extra amount of pension?—Yes.

3176. I see, on page 467, you have taken savings under Sub-head A. and used them on Sub-head B.; that, I presume, you consider comes under the same observations you have made on previous occasions in regard to other items of savings?—I think so.

3177. In paragraph 4 of the Report I notice that Captain Dugald Graham has had a pension which, the Comptroller and Auditor General says, is "unauthorised by the statute;" is it not the fact that if one makes application either to the War Office or to the Treasury to give anything extra to a private or a messenger, or anybody in position, it is always refused, on the ground that it is illegal?—The Treasury always exceed as little as possible their statutory powers.

3178. When you deal with a private, is it not the case that you always shelter yourselves under the statute, and say you are obliged to refuse, because it is against the law?—I am not aware that it is. I may say the administration

Appropriation Accounts.

Vote 1.—Superannuation and Retired Allowances—*continued.*

Mr. *Alpheus Morton*—continued.

of pensions does not come under my notice at the Treasury, and therefore I am at a disadvantage in answering the honourable Member's questions on this particular point.

3179. That being the fact, as I happen to know, why do you give an unauthorised pension to a captain which is refused to a private?—I do not know that I could admit the premise of the honourable Member. This was a case where it was thought that the arrangement made was in the public interest, namely, that this gentleman should be transferred to the Scotch Fishery Board, that being done on the distinct understanding that he should not forfeit his right to pension in respect of his previous years of service in the Mercantile Marine.

3180. Why did you give it to a superior officer and not to those in inferior positions?—I am not aware that that is the case at the Treasury.

3181. I happen to have a letter from the War Office to that effect?—If the honourable Member refers to military pensions he will understand that military pensions are not granted by the Treasury.

3182. I am quite aware of that; I am only speaking now of the system in the Department of the Government which refuses it to my knowledge (because I have letters to prove it), and I ask why you give it to a captain when you refuse it to a private. I am not objecting to the other course, but I am asking if this is a sufficient reason to break the law?—This is not a military officer; he was in civil employment.

3183. He happens to be called a captain?—Yes; he was in the mercantile service.

3184. Lower down, in paragraph 5, there is another case, in which it is stated that the pension has been granted to a gentleman without his having a Civil Service Certificate; the Comptroller and Auditor General says, he has pointed this out in a communication to the Accounting Officer, but that he had at the time of the Report received no reply; do you know anything about that?—Yes. The question has been dealt with subsequently to the Report of the Comptroller and Auditor General, and the Minute dealing with that case and other cases has been laid before Parliament. It was the Treasury Minute of the 5th April last (Parliamentary Paper, No. 64 of 1894) in which this case and other similar cases are explained.

3185. Has the Comptroller and Auditor General had any reply to his communication?—I think he has seen this Treasury Minute of the 5th April 1894.

3186. (To Sir *C. L. Ryan.*) Have you received a reply?—Yes, I have, since the date of the Report.

3187. Are you satisfied?—Yes; I am satisfied with the statement of the Treasury that it was a question of good faith.

3188. With

Appropriation Accounts.

Vote 1.—Superannuation and Retired Allowances—*continued.*

Mr. *Hanbury.*

3188. With regard to this question of compassionate allowances, to what extent is the Treasury bound by statute as to the amount they may grant; I will take a special case, the case of a man injured in the public service, a workman, for instance; is the maximum allowance laid down by any statute, or is it within the discretion of the Treasury?—I am speaking under some disadvantage, because the question of the administration of these pensions does not come before me; but I believe it is according to a scale in a Treasury Warrant in pursuance of powers given by Parliament.

3189. I think we ought to have someone who can give us the information about pensions, as we are on the subject?—I am afraid there are an enormous number of statutes and minutes relating to the administration of the Superannuation Acts.

3190. I only want to get at the general principle; take the case of any workman injured, we will say, in any Department of the State, or take the case of a man being killed; are the powers of the Treasury defined by statute as to the maximum amount they may grant?—I am afraid I cannot answer the honourable Member's question at this moment. There is no question of that kind raised in the account, and I have only come here to answer for the account.

3191. Perhaps you would take a note of my question, and give us the information later; in order to make it easier, I will confine my question to a special case. Take the case of any man killed in any Government factory, or anything of that kind; what are the powers of the Treasury as to compassionate allowance to his widow or his children in such a case; is the maximum fixed by Parliament, or have the Treasury a free hand in the matter?—I believe I am right in saying that it is not statutory, but rests with the discretion of the Treasury. A certain sum is taken every year in this Vote to meet those cases, and I think it is left to the discretion of the Treasury.

3192. Perhaps you will make sure, and let us know next week?—Yes.

Chairman.

3193. The point is whether it is a statutory limitation or whether it is in the discretion of the Treasury?—Yes. I am now in a position to answer the honourable Member's question. I find that the compassionate allowances granted to the person injured in the case of injury, or to the relatives of a person who has been killed by an injury, are under a Treasury Warrant of September 1887, which was drawn under powers conferred by the Superannuation Act, 1887.

Mr. *Hanbury.*

3194. The amount is not fixed by statute, but by the Treasury itself?—That is so.

Appropriation Accounts.

Vote 1.—Superannuation and Retired Allowances—*continued.*

Mr. *Arthur O'Connor.*

3195. Were these officers who served beyond the age limit efficient and well qualified to continue their services?—Yes; that is the case so far as my knowledge goes.

3196. They did the work?—Certainly.

Mr. *Alpheus Morton.*

3197. But you do not allow all officers to stay beyond the age limit, even though they may be able to do the work, for the purpose of increasing their pension?—No, certainly not; these were very exceptional cases.

[Mr. *Maude* withdrew.

On Vote 5.

Pauper Lunatics, Ireland.

Mr. *Arthur O'Connor.*

3198. (To Sir *E. W. Hamilton.*) I see that the Vote was not enough to meet the requirements, and that there stands over a claim of 57*l.* 10*s.* 9*d.*; how will the Treasury deal with that?—It states in the Memorandum at the foot of the account that the payment will therefore be postponed and provided for in the Estimates of the following year.

3199. I see that, but if I can get at it, I should like to have some positive information?—That is what is stated by the Accounting Officer himself in the Memorandum at the foot of the account.

3200. They were entitled, were they not, under the existing statutory arrangement and the regulations in force, to 4*s.* a week, or something of that kind, and they ought to have got 57*l.* 10*s.* 9*d.* more than they did get; they did not get it within the financial year?—Apparently not.

3201. What is the way you propose to deal with a question of that kind?—I think you would have to make it good next year. This is a grant in aid, and therefore it would come out of next year's grant in aid.

3202. Have you ever had a similar case before?—Not that I am aware of.

3203. Then because of a deficiency in year 1 you increase the grant in year 2 possibly beyond what is required for that period; is that it?—I presume they would make an extra provision in the following year in order to meet the deficiency in the past year.

3204. How would that be classified in the Treasury Accounts; would it be under the heading "prior years," or how would it appear?—This is a grant in aid; I do not know what account is kept of it. This Vote is not audited by the Comptroller and Auditor General.

3205. He must see the receipt for the money, I presume?—Yes, he sees the certificate.

Appropriation Accounts.

Vote 5.—Pauper Lunatics, Ireland—*continued.*

Mr. *Arthur O'Connor* – continued.

3206. (To Sir *C. L. Ryan.*) How would it be dealt with, from your point of view?—I cannot speak positively with regard to this account, because all I get is the receipt of the Accounting Officers for the sum handed over to them, and they distribute it afterwards on their own responsibility. But in ordinary cases this is a postponed payment, and is stated in the account to be a postponed payment; therefore, it is not charged against the grant for the year, but would be charged against the grant for the next year.

3207. (To Sir *E. W. Hamilton.*) You arrive, I presume, at the sum of 117,213*l.* on the same basis of calculation?—That is so.

3208. What is the basis?—Upon information received from the Irish Office.

3209. As a rule, the amount voted has been sufficient, has it not, to meet the claim under the existing regulation?—Yes, as a rule, it has been.

3210. You have never had a case in which it was insufficient?—I was just looking to see if I could find a case, but I cannot do so. I think it has always been just underneath the grant.

3211. If you get the Estimate for a subsequent financial year which shows you what would be required for that year, would give you that sum only, or would you add to that sum such a sum as this 57*l.* 10*s.* 9*d.*, as regards which there was a short payment in the previous financial period?—I think those responsible for the preparation of the Estimate would take that excess into consideration; when they submitted their Estimate the following year to the Treasury they would make an allowance for that.

3212. Would that allowance appear upon the Estimates submitted in terms?—I am afraid I cannot answer that question; I will make inquiry.

3213. What I want to provide against is that your Estimate, so carefully prepared in the interest of the Treasury, shall not cause these institutions to lose the sum of 57*l.* 10*s.* 9*d.*; but I do not see how it is to be done?—I think it is done in this way: supposing the next year they make this calculation, and it comes to 118,000*l.*, they would add the 57*l.* 10*s.* 9*d.*, and make it 118,057*l.* 10*s.* 9*d.*

3214. Are you quite satisfied that that would be in accordance with the law, seeing that some of these very lunatics may be dead or discharged, in respect of whom the Estimate of the earlier year was formed?—I am afraid I cannot give the honourable Member the information; I can find out from the Irish Office.

Chairman.

3215. Probably you would be able to bring it up next Wednesday?—Certainly, if the honourable Member wishes it.

Appropriation Accounts.

Class VII.

Miscellaneous.

On Vote 1.

Temporary Commissions.

Chairman.

3216. (To Sir *E. W. Hamilton.*) In paragraph 5 of his Report upon this Vote, referring to Sub-head R., Congested Districts Board, Ireland, the Comptroller and Auditor General remarks that certain expenses have, with the approval of the Treasury, been defrayed out of the income placed at the disposal of the Congested Districts Board; have you any remarks to make upon that?—No, I do not think so.

3217. (To Sir *C. L. Ryan.*) Is that quite regular?—Yes; it is merely referred to in the Report as matter of information, not of question.

3218. You have no objection?—No.

On Vote 2.

Miscellaneous Expenses.

Appropriations in Aid.

Chairman.

3219. (To Sir *E. W. Hamilton.*) In the last sub-section but one of paragraph 3 of the Report of the Comptroller and Auditor General on this Vote, dealing with the Office of Lord Lyon, he says that he is unable to trace any statutory authority for a certain claim in regard to the Lyon King; and that on drawing the attention of the Treasury to the matter he was informed that the question as to whether any, and, if so, what modifications should be made in the traditional rule of exemptions from search fees in the Lyon Office would be duly considered by their Lordships; have the Treasury decided that point?—They have had it under consideration, but they have not yet completed their examination. It appears there is no doubt the Act does expressly impose these search fees, and therefore, *primâ facie*, that this exemption of the searchers from paying these fees is very doubtful. If the practice should be continued it will require fresh legislation.

3220. (To Sir *C. L. Ryan.*) Have you any remark to make upon that?—I presume that when the Treasury have completed their investigation, they will communicate the result to me. At present I am not in a position to state anything.

3221. In the concluding sub-section of paragraph 3, regarding the Office of Ulster King at Arms, you remark that you propose to examine these fees in some detail during the year 1893–94; have you a particular reason for thinking

APPROPRIATION ACCOUNTS.

Vote 2.—Appropriations in Aid—*continued.*

Chairman—continued.

thinking that examination necessary?—It is only that I am carrying out a more complete system of examination of all fees and other sums taken as Appropriations in Aid. The accounts of these fees are in Ireland, and it would require a special visit to Ireland for the purpose.

3222. Do you mean to make that visit during the year?—I propose myself to visit Ireland this year; my officers will be also there on detail work.

Mr. *Arthur O'Connor.*

3223. (To Sir *E. W. Hamilton.*) Is there an Ulster King of Arms now?—Yes.

3224. Who is it?—Mr. Arthur Vicars.

Mr. *Alpheus Morton.*

3225. Does he get a salary?—Yes.

3226. With regard to Sub-head H., Appropriations in Aid, it is stated on page 504 that the actual receipts were 10,126*l.* 2*s.* 3*d.*; could we have the details of those?—I suppose I could furnish the details.

3227. On page 505, I see it is said that the particulars of these fees were given in 1865 in the Appendix to the Report of the Public Accounts Committee; 1865 is a long time ago; could you let us have the particulars of those fees?—If the honourable Member wishes, I suppose we could have a return made. (Sir *C. L. Ryan.*) I have tried to give them in the Report. (Sir *E. W. Hamilton.*) The honourable Member will see that the Comptroller and Auditor General has given a great deal of information about them in the Report.

3228. I do not want to detain you to-day to find out what all these fees are, but I want to know whether they are all paid in; can you tell me, for instance, whether the fees paid by the bishops to the Attorney General are included here?—I cannot answer that question.

3229. Is not that a sufficient reason for asking you to give the particulars as you gave them in 1865?—Does the honourable Member wish to know whether any alteration has been made since 1865?

3230. On page 505 it is stated that particulars of these fees were given in 1865; I ask whether you would let us have a similar return to put in our Report?—I think it would be voluminous, and would be almost an exact repetition of what was given in 1865. I could find out whether there are any material alterations since 1865.

3231. How am I to follow up this question, and see that you get all the fees taken from the bishops and others, unless we have the particulars?—The Comptroller and Auditor General raises no question about this point, I think.

3232. (To Sir *C. L. Ryan.*) Do you know whether the fees paid to the Attorney General by the bishops go into the Treasury?—I do not guarantee the accuracy of the fees that are taken; I cannot do so.

APPROPRIATION ACCOUNTS.

Vote 2.—Appropriations in Aid—*continued.*

Mr. *Alpheus Morton*—continued.

3233. You are aware probably that we had a return made of the fees paid by bishops on creation about two years ago?—No doubt there was such a return.

3234. You have not seen it?—I have not it in my memory at the moment.

3235. Are you not aware that certain fees are paid to the Attorney General as well as to the Home Office?—I cannot speak to the details of the return.

3236. (To Sir *E. W. Hamilton.*) So far as you are concerned, I understand there would be no difficulty in giving us the particulars?—I cannot say; it would not be prepared at the Treasury. I suppose the Home Office would prepare the return with regard to the particular point the honourable Member refers to.

3237. Could you give me the particulars of the fees which make up this 10,000*l.*?—I presume that could be given.

3238. What I want to know is, how, without some sort of return, one can examine this account?—Of course, as a rule, details are not furnished with such particularity. I presume the Comptroller and Auditor General looked into this account, and was satisfied before accepting the certificate of the Accounting Officer.

3239. You heard, did you not, the Comptroller and Auditor General say that he did not know anything about the point I raised?—I think that would not affect this particular Vote at all.

3240. If the fees paid by the bishops on being appointed, to the Attorney General, is not in this Vote, what Vote is it in?—I do not think they are in any Vote at all.

3241. Then I want to know about the fees paid to the Government?—If the honourable Member wants a return of all fees paid to the Government, it would be rather a large return to prepare; but no doubt it can be done if the honourable Member wishes it.

3242. I do not want that, but when I find a fee of that sort I want to see if I can follow it, because the policy of the House of Commons now is to have all fees paid into the Treasury, is it not?—Certainly.

3243. They do not allow (if they know of it) any officer to keep fees; is not that so?—There are certainly some people who take fees; the Garter King at Arms, for instance, takes fees.

3244. He takes them in lieu of salary?—He is not a Government officer.

Mr. *Arthur O'Connor.*

3245. This Vote is a remarkable Vote in more than one respect; first of all the Appropriations in Aid exceed the total expenditure?—That is so.

3246. And they exceed by nearly 60 per cent. the Estimate, which was made of the probable Appropriations in Aid; I see the estimated Appropriations in Aid were 6,250*l.*; the expenditure was 9,482*l.*, but the Appropriations in Aid realised over 10,000*l.*?—That was so.

3247. So that both in respect of the character

Appropriation Accounts.

Vote 2.—Appropriations in Aid—*continued.*

Mr. *Arthur O'Connor*—continued.

of the Vote itself and in respect of the amount received from Appropriations in Aid, this Vote requires and calls for special scrutiny at the hands of the Treasury, does it not?—Certainly.

3248. The first thing I should like to ask is whether the fact that the Appropriations in Aid exceed the total expenditure is not almost certain to lead to unnecessary expenditure?—I do not think that follows.

3249. At any rate, there is a danger of that kind lurking round the arrangement, is there not?—I do not think so, because supposing the total Vote had been exceeded we should have to come to Parliament for a Supplementary Estimate just the same. Supposing the total which the Department intended to spend (the grant being 11,748*l.*) had been exceeded in consequence of more Appropriations in Aid being received than what was estimated for, a Supplementary Estimate would have had to be submitted to Parliament.

3250. But the gross estimate was 11,000*l.*; the Appropriations in Aid estimated 6,000*l.*; net total voted 5,000*l.* Now, as a matter of fact, you spent over 9,000*l.*; that is to say, 4,000*l.*, roughly speaking, or nearly 4,000*l.* more than you had voted; but, on the other hand, your Appropriations in Aid sprang up about 4,000*l.*?—Yes.

3251. Now, if there was no excess it would be so very simple to say, "Well, the excess of the Appropriations in Aid equals the excess in the expenditure, and therefore there is no ultimate loss"?—Yes; but the honourable Member will observe the total expenditure is less than the grant. The total estimate was 11,748*l.*, and the total expenditure was 9,482*l.*; therefore, it was less than the grant by over 2,000*l.*

3252. The net amount voted was 5,000*l.*?—Yes.

3253. Then the actual expenditure was 9,000*l.*?—Parliament had sanctioned the expenditure of 11,748*l.* The actual expenditure was well within that grant by over 2,000*l.*

3254. The amount voted was 5,000*l.*; the amount expended was 9,000*l.*, was it not?—That is so.

3255. That is a difference of 4,000*l.* As a matter of fact, there is a net surplus to be surrendered here, because your expenditure happens to be less than your grant?—Yes.

3256. Therefore, no immediate mischief is done?—No.

3257. But supposing your expenditure had considerably exceeded your grant inasmuch as you had 10,000*l.* of Appropriation in Aid instead of 6,000*l.*, it is open to the Treasury to say, in allowing the expenditure, "Well, the Appropriations in Aid give us 4,000*l.* more than we expected, and the expenditure is about 4,000*l.* more too; and so there is no ultimate loss"?—The same remark would apply to every Vote in which there are Appropriations in Aid.

3258. So I think it does?—But the honourable Member will remember there must be a Supplementary Estimate all the same presented to Parliament; therefore the Department responsible for the expenditure has to submit itself to Parliament, so to speak, as much as if it had to come to the House of Commons for an actual additional grant of money.

3259. I will pass to the next point; how is it that the Treasury was so far out in its Estimate that they reckoned for 6,000*l.*, whereas 10,000*l.* was realised?—The honourable Member will see that on page 504 there are some details given.

3260. That does not explain anything, I think?—Details are given of the variation of the amounts received compared with the estimated amounts. These fees are very difficult to estimate, because they are dependent upon the amount of honours conferred in the year, and they are necessarily uncertain quantities.

3261. The Crown Office Fees and the Home Office Patent Fees were estimated at 3,000*l.*, and they have gone up to 7,415*l.* I notice that as regards the Queen's Household, Fees of Honour, and the "Office of Lord Lyon, Fees and other Miscellaneous Receipts," the actual receipts were above the estimate; and it is only in the case of the "Office of Arms, Ireland," that you have a falling off; and that is accounted for by the death of the Ulster King of Arms. Would there be any objection on the part of the Treasury (if there is I shall be glad to have it upon the Minutes) to furnish a detailed statement of how all these sums are made up; I do not mean since 1865, but only for this year?—I do not think there is any objection whatever. I am afraid there would be a great many details, and it would be therefore voluminous.

3262. I mean only the items making up this total for the one financial year?—The items making up this 10,000*l.* would be a voluminous return, I should think; but no doubt it can be easily furnished to the honourable Member.

3263. Would it be more than a couple of pages of foolscap?—I should imagine so.

3264. It would be only a list of the names and offices with a certain sum opposite each?—I do not wish to raise any objection. I do not think there would be any difficulty in furnishing such a return.

3265. Could we have it by the next meeting?—I should imagine so, though I do not like to promise it absolutely.

3266. Will you put it in, if you can, at the next meeting?—Certainly.

Mr. *Hanbury.*

3267. What is the rule governing the Treasury as to remitting these fees. I see at the bottom of page 504 there are a certain number of fees remitted by the direction of the Treasury; have they got a free hand in the matter?—I should hardly say a free hand; they have to get a Vote of Parliament. If there are any special circumstances which seem to justify the remission of the fees, the Treasury would pay the fees themselves out

Appropriation Accounts.

Vote 2.—Appropriations in Aid—*continued.*

Mr. *Hanbury*—continued.

out of the Civil Contingencies Fund, and then ask Parliament to refund the money.

3268. That is the way it is done, is it?—Yes. Parliament would therefore have cognizance of it in a Vote.

3269. Are you able to say on what system the fees are remitted?—It is only in the case of special services, as for instance, where a peerage is conferred for special services.

3270. Take the case of the knighthood of a judge, which is mentioned in the account; do the Treasury always remit the fees on the knighthood of all judges?—If a judge becomes *ex-officio* a knight, and supposing the Queen cannot dub him, then a patent has to be made out, and as that would subject him to an extra expense, owing to no fault of his, the patent fee would be remitted.

Appropriation Accounts.

On Vote 3.

Pleuro-Pneumonia.

Mr. *Alpheus Morton.*

3271. (To Sir *E. W. Hamilton.*) I want to ask you for an explanation as to this 20,000*l.* of expenditure more than was granted; that has been done without Parliamentary sanction in any way, has it not?—The honourable Member will see from the explanation at the foot, that an Act of Parliament has been passed which is sufficient authority for the Treasury. The note at the foot of the account says, "To meet the requirements of Ireland, advantage was taken of the provision contained in the Act of 55 & 56 Vict. c. 47, s. 1, to vary the apportionment of the total sum between Great Britain and Ireland." In fact the Act was passed to enable the Treasury to give a larger portion of the grant to Ireland than it previously could.

On Vote 4.

Highlands and Islands of Scotland (Grants in Aid of Public Works and Communications, &c.).

Colonel Sir Colin Campbell Scott-Moncrieff, K.C.M.G., C.S.I., called in; and Examined.

Chairman.

3272. In the last sentence of paragraph 2 of the Comptroller and Auditor General's Report upon this Vote he remarks that, as the difficulties in carrying out the Act of 1891 have not been overcome, he has thought it advisable to call attention to this subject in his Report; have you any remarks to make or explanation to offer upon that point?—That was the case. The procedure required by the Act took a much longer time than any of us anticipated. There were references first to the County Council, then to the Board of Trade, then to the County Council again, and then back again to the Board of Trade. The result was that until nearly the end of 1893–94 there was no work actually got in hand. Now we have a great number of harbours going through this procedure; at the present moment there are 15 minor harbours actually in hand, and four more we hope to have in hand immediately.

3273. May we understand now that those difficulties have been mainly overcome?—I think the Act is an unfortunate one; that is to say, between the County Council applying for the grant in aid and the actual grant from the Treasury, all the necessary procedure takes a very long time; it cannot be done under eight months. It is difficult, especially in the crofter counties of Scotland, to get the County Council Board together, and in that way, and in others, there have been a number of preliminary difficulties. Now we have learnt to recognise that each separate process will take a long time, and, allowing for that, we are going along smoothly enough.

3274. On the whole, there will always be some

Chairman—continued.

delay?—Yes, between the applying for the grant and the obtaining of it.

3275. But, with that exception, there will be no further difficulty?—No, I think not. For instance, this year I think we shall spend every penny of our Vote.

3276. In the last sentence of paragraph 3 of the Comptroller and Auditor General's Report, he says that the attention of the Accounting Officer has been drawn to a point referring to new Sub-head F., and he has been informed that it is considered that the statutory grant simply provides for the making of a road from Stornoway to Carloway, with a branch road to Braeselete; have you any remarks to make with regard to that?—I would say it was not exactly as put in the Report. In the Act of Parliament 15,000*l.* was granted for that particular road and for other roads in the Island of Lewis, or words to that effect. When it came to making that road it was a long time before we could get a contractor who would do it at all for 15,000*l.*, and the whole amount was absorbed in that one road. Later on an outcry arose from all that part of the world that they could not carry out the laws as regards sending their children to school on account of the absence of paths and bridle roads, and so on, over the moors; and Sir George Trevelyan then obtained a grant from the Treasury of 11,500*l.*, which was divided according to his discretion among the counties, chiefly in aid of education; but the roads so made were in all cases merely footpaths or bridle roads, and not a regular carriage road like the one in question here.

3277. (To Sir *C. L. Ryan.*) Have you any

Appropriation Accounts.

Vote 4.—Highlands and Islands of Scotland, &c. —*continued.*

Chairman—continued.

remarks to make upon what Sir Colin Moncrieff has said?—I think the explanation was not quite fully before me when this paragraph was written; and I think probably the explanation now given will meet the point.

3278. In regard to what was said about the delays in obtaining the grant, have you any remark to make?—There I only called attention to the difference between the grant and the expenditure, and I have nothing to observe upon it.

Mr. *Alpheus Morton.*

3279. (To Sir *Colin Moncrieff.*) As I understood, you said just now you had a difficulty in getting the county councils in the crofter counties to meet?—Yes. There has often been difficulty. The rule is that the county council must be called specially for this object, and when we have sent down papers to them requesting them to meet, the reply has comes back, "We hope to arrange for a county council meeting next month," or some time or other; but it is not very easy to get them together.

3280. But they have regular meetings, I presume?—Yes; but the regular meetings are very seldom. These are special meetings.

3281. Have they not regular meetings once a month?—No, not so often as that.

3282. Has a special meeting to be called for the purpose?—Supposing a case comes up for a grant for a particular harbour, the operation is this: First, the county council send up a letter from the locality in question, saying that the harbour is wanted very badly, and asking us to look into it; we ask them the circumstances of the case, and we refer it to our engineer, whose headquarters are at Oban, to report upon it. He may report that it is a good thing, that the fishing community is so and so, and he recommends it. Then the Secretary for Scotland entertains the work. The next step is that he asks the county council to give him an estimate of what it is to cost; that causes delay, as it is not very easy to get an engineer in some places, and there is very often a dispute about it, and sometimes the Estimates are a long time coming in. When they Estimate comes in, we send it to our engineer to approve; that is done quickly enough. Then it goes to the Board of Trade for them to say what they have to say about it. They hold their local inquiries, and then they send it back to us. Then we send it to the county council, and ask, "Will you go on with this work." They are obliged to publish it in different newspapers, and the plans and estimates have got to be put up in the schoolhouse or somewhere for all the world to see, and a special meeting has to be got together to see if they are prepared to go on. Then if they assent to go on, it goes back again to the Board of Trade, and they perhaps make some modification of it. Then we send to the Treasury, and say, "May we have a grant of so-and-so?" Supposing the Estimate is 1,000*l.*, and we recommend 750*l.*, that goes down to the county council. and we say, "The Treasury will give you 750*l.*; are you prepared to carry out this work, and whatever it costs over and above that sum to pay it yourselves, or get some local person to offer to pay the money?" All that takes a long time.

Appropriation Accounts.

Vote 4.—Highlands and Islands of Scotland, &c. —*continued.*

Mr. *Alpheus Morton*—continued.

3283. Do you say the county councils are blameable for some of the delay?—They are accountable for some of the delay; I do not say they are "blameable," because county councils have other things to attend to. But the machinery of the county council is not, I think, very well adapted for these works.

3284. You are aware that blame is assigned for the delay?—Certainly.

3285. And you say the county councils are responsible for some of the delay?—Yes, distinctly.

3286. Would it not be possible to do away with some of the red-tapeism, so as to get along faster?—I think it would. I am not prepared to sketch a Bill, so to speak, on the subject at the moment, but I think it would be possible.

3287. You think it would be possible to do away with some of the circumlocution, as it is sometimes called?—I think it would.

3288. With regard to Item B., it appears that 15,868*l.* was not expended?—Yes.

3289. Do you get a re-grant of that the following year?—We get a fresh Vote, a Re-vote, but not for that particular sum; 40,000*l.* has been our Vote for the year.

Mr. *Arthur O'Connor.*

3290. May we take it that the account you have just given us is pretty accurate with regard to all these cases as regards the *modus procedendi*?—Yes.

3291. Is not a good deal of the delay you have described, delay which cannot be attributed to complicated procedure imposed by the Act, or to the slow movement of the county council; is not a good deal of it your own?—No, emphatically not.

3292. Let me give you an illustration from what you have already told us. I understand you to say that you send your engineer, who makes a report, and that then the report is entertained by the Secretary for Scotland?—Yes.

3293. And after that an estimate is made?—Yes, by the county council.

3294. That estimate is again remitted to your engineer for approval; you do not see any unnecessary delay in that?—The Act requires that we should get some information as to whether it is a likely scheme or not. The engineer is down in the Highlands, you will understand, and we get a report from him that the scheme is a good one. The reply he gives is generally to the effect that there are so many boats, and they are very much

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Vote 4.—Highlands and Islands of Scotland, &c. —*continued.*

Mr. *Arthur O'Connor*—continued.

much in want of a harbour for the following reasons, which he will then give. Generally a local memorial comes up. Then his report comes to us; but that is not an estimate to work by.

3295. Is that a portion of the procedure imposed by the Act?—I have not got the Act here, I am sorry to say.

3296. Does the Act impose the procedure of a preliminary survey and report by your engineer, and then afterwards an entertainment by the Secretary for Scotland, and then an estimate to be formed later on, after the Secretary has entertained it; is all that under the Act?—Yes; it is the Highlands and Islands Public Works Act, 1891.

3297. Is the delay (whether under the Act or not) accountable for the fact that you cannot spend anything like the amount voted for you in the financial year in which the Estimate is prepared?—That is perfectly the case.

3298. How do you account for that?—I will give you an example: Within the last week we have had an estimate for a place in the county of Caithness. This case had been up before, a long time ago; it first came up in 1891. Then there was some discussion about it, and we got our local engineer to go down, and he reported in detail upon it. The case did not come up again until 1894, owing to another reason quite apart from those I have mentioned, namely, that we could not get the land from the proprietors; such a reason would not generally apply. But now, as I say, the case has come up again in May 1894.

3299. Have you a Vote for it?—Yes, we have a yearly Vote. The honourable Member will understand that the Vote is for works in general; it is 7,500*l.* for Minor Works. Now, as I say, this case has come up to me; I have got the report of the engineer in the office, so that I know we shall not require any engineer's report again. We have sent down and informed the county council that the work is entertained by the Secretary of State for Scotland, and will they be good enough to send up an estimate. I do not expect to get their estimate within six weeks or a couple of months. Then it will come up here.

3300. I notice that, however complicated the procedure under the Act of 1891 may be, it does not cause an increase of expenditure under Sub-head E., "Administration"?—No. The honourable Member means, I presume, that the expenditure on "Administration" is less than the grant. I can explain that very easily: We had an

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Mr. *Arthur O'Connor*—continued.

officer on a high salary, and he went away, and we got an officer on a lower salary.

3301. I would suggest that this Vote altogether has the appearance of being an inflated one?—Yes, it has.

3302. You actually take money more than you want, and the consequence is that you are able at the end to start a Sub-head which was not in the original Vote, and appropriate a sum of no less than 5,500*l.*, and even then leave 15,000*l.* to be surrendered?—That is so.

3303. Will you continue to estimate your administrative expenses at 2,000*l.*, or have you cut down your Estimate?—The administration in future will be about 1,600*l.*; it will not be exactly that, because it was during the year that the higher salaried officer went away.

Sir *John Hibbert.*

3304. Your Vote for this year is smaller than it has been in previous years for the same purpose, is it not?—We got 5,000*l.* cut off it, which we are very sad about, for the sake of buying cruisers for the Fishery Board.

Mr. *Alpheus Morton.*

3305. Is that taken away from the harbours?—Yes, to give to cruisers for trawling on the west coast.

3306. You have not taken it from the west coast and spent it on the east coast fishing?—No, it is on the west coast.

Mr. *Arthur O'Connor.*

3307. Some of these works are works in respect of which loans have been obtained, have they not, from the Public Works Loans Commissioners?—No, none of these, I think.

3308. Is not that so in the case of Lerwick Harbour?—I beg your pardon, that was a grant. I could not tell you about that; it was a long time before I came into the Scotch Office. It was a balance of a sum to be paid.

3309. My point is this; the money is borrowed from the Public Works Loans Commissioners; it ought to be paid back to them by the borrower, ought it not?—Of course.

3310. If the borrower gets other public money under the form of a grant, he is enabled apparently to pay back his loan; but it is paying back public money by public money?—May I refer the honourable Member to Mr. Berkeley, who is the head of the Accounts Department in our office, who will, no doubt, be able to answer the question.

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Mr. E. D. Berkeley, called in; and Examined.

Mr. *Arthur O'Connor.*

3311. I want to draw your attention to the case of Lerwick Harbour; is that not a case in which public money was borrowed from the Public Works Loan Commissioners?—That was so.

3312. At a time when you had no grant?—Yes, before this grant.

3313. When you get the grant you pay off the whole or the balance, or a portion of the balance of the debt, to the Public Works Loan Commissioners?—Yes.

3314. That is to say, you are paying a debt to the public out of the public grant?—That is so.

3315. Why should you adopt that particular mode of procedure; why not get it written off under the annual Public Works Loan Act?—It was an arrangement with the Treasury; I do not know the exact reason for it.

Mr. *Arthur O'Connor*—continued.

3316. The one would be a perfectly intelligible and straightforward arrangement; the other is one that has to be traced out before it is understood?—This was only a payment in reduction of the debt; it was not extinguishing the debt, so far as I understand.

3317. That is to say it was paying off a portion?—Yes.

3318. How much do you now owe to the Public Works Loan Commissioners?—I cannot answer that.

3319. Whatever the sum is they hope to pay it by the annual grant?—That is the usual arrangement.

[Mr. *Berkeley* withdrew.

On Vote 5.

Chicago Exhibition.

Chairman.

3320. (To Sir *E. W. Hamilton.*) Do we get any particulars with regard to this Chicago Exhibition Vote as to how the money was expended?—The Secretary to the Commission, no doubt, will be able to furnish particulars.

3321. Do the Treasury hand it over in a lump sum?—Yes.

3322. And make no inquiries as to how it is expended?—They take the certificate of the Secretary.

3323. Do you not get any particulars as to how the money was expended?—No.

3324. Not when the whole is finished up?—It is a grant in aid made by Parliament in a lump sum.

3325. Do you not think you ought to have particulars as to how the money was expended?—Not in the form in which it is granted. A grant in aid is a sum voted by Parliament *en bloc*, about which no details are given.

Chairman—continued.

3326. You do not know that it was expended on the Chicago Exhibition?—We must have the certificate of someone, and we take the certificate of the Commissioners and their secretary; we have no reason to suppose they misappropriate the money.

3327. Will they not give you a balance-sheet?—I have no doubt they will when the thing is complete. I am not aware that they have wound up the accounts yet.

3328. Is no return made to Parliament about it all?—Not that I am aware of.

On Vote 9.

Crofters' Colonisation (Advances in Aid).

Chairman.

3329. (To Sir *E. W. Hamilton.*) In the concluding sentence of the first sub-section of paragraph 3 of the Comptroller and Auditor General's Report upon this Vote, he says that he is unable to admit the sum of 7,500*l.* (being the whole amount of the grant) as properly chargeable under the provision of Section 27 of the Exchequer and Audit Departments Act; have you any explanation upon that point to give to the Committee?—Of course, I admit that the Comptroller and Auditor General is quite right to query the expenditure under this Vote under the circumstances; but I should like to explain to the Committee that this is a service which, no doubt, ought to have been taken as a grant in aid, and would have been so from the very first, only that in the first two years in which the Vote was taken there were certain administrative expenses included in the Vote besides the actual grant in aid of colonisation. The consequence was that the total Vote was not taken as a grant in aid; but the Committee will observe that in the details of the Vote it is called "Advances in Aid of Colonisation," and although I am afraid it

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Chairman—continued.

it is not actually covered by the resolution, the intention of the Treasury was that it should be considered as a grant in aid.

3330. Then you consider that, under the terms of the Act, it was permissible to treat it as a grant in aid?—I think if the Committee will take into account that in the details of the Vote it is called "Advances in Aid," it would be permissible to consider it as a grant in aid, though I admit the actual terms of the resolution in Committee of Supply did not call it a grant in aid, but ran in the usual form.

3331. But I suppose the words of the Act are more essential than the words of the resolution, are they not?—You mean the Appropriation Act, I presume?

3332. I mean the Crofters' Colonisation Act. These advances are made under the Crofters' Colonisation Act, are they not?—But the money is not issued in pursuance of that Act; it is money voted by Parliament. I think the Comptroller and Auditor General's contention is, that this Vote is not taken as a grant in aid, although it has been treated as a grant in aid, and therefore he is unable to admit the charge because there are no details.

3333. By the word "resolution," you mean, I presume, the proceeding in Parliament?—I mean the proceeding in Parliament.

3334. Then according to the strict wording of the resolution in Parliament, this payment cannot be treated as a grant in aid?—That is so; but it has always been the intention of the Treasury to treat it as a grant in aid, and I am afraid it was an oversight when the administrative expenses were taken out of the Vote that the resolution was not so framed.

3335. I understand it would have been competent for the Treasury, when they submitted their resolution to Parliament, so to word it as to include the grant in aid?—Certainly.

3336. And in the nature of the case it must be so treated?—That is so.

3337. Therefore you would rectify that in the resolution of next year?—Yes, in another year we can; but in the past, I am sorry to say we cannot. This relates to the year 1892–93.

3338. That being so, what course can you suggest should be taken to meet the objection raised by the Comptroller and Auditor General?—I should suggest that the Committee should consider it as a grant in aid, although it does not actually come within the terms of the resolution.

3339. Then the authority of this Committee would be necessary in order to legalise what has been done?—Yes, I think so.

3340. I presume that the remarks in paragraph 5 of the Comptroller and Auditor General's Report are covered by the explanation you have now given?—A portion of the grant was spent within the period of the account. I think Sir Colin Moncrieff will explain that he is

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Chairman—continued.

perfectly willing to submit any accounts which he has already got in his possession with regard to the expenditure; but only a very small portion of the sum has been spent, and I think it is the absence of the vouchers for this small portion which has been spent that the Comptroller and Auditor General calls attention to in paragraph 3. I understand Sir Colin Moncrieff is quite willing to furnish whatever information he has in his possession. (Sir *Colin Moncrieff.*) Certainly.

3341. Can you give the remaining vouchers which the Comptroller and Auditor General requires?—Certainly. I do not know in what detail he requires them. The account has been a little difficult in respect of the money going over to Winnipeg, and treating with Canada; but there is no difficulty, that I am aware of, about the vouchers.

3342. Have you received any requisition from the Comptroller and Auditor General to give the vouchers?—I think we have supplied all we have been asked for.

3343. At the end of paragraph 4, the Comptroller and Auditor General remarks that no repayments had been brought into account during the year; that he had communicated with the Accounting Officer on the subject, but that no reply had been received at the date of the Report, I understand you are the Accounting Officer, and perhaps you can explain that point?—Yes. These people in the colony should have been paying back their advances in November 1892. As a matter of fact they did not. We wrote over and tried to get the money in one way or another, but nothing came of it. The reason assigned was, very bad years of drought or of frost, and one thing and another. We waited till towards the close of last year when Sir Charles Tupper, the Agent General for Canada, returned. He went and visited the place on purpose, and he came back and recommended that the repayment of the advances should be postponed altogether for two years. We wrote to the Treasury to ask their sanction to that. The Treasury replied saying, quite naturally, could we not take further means for getting the advances repaid, and pressing us in fact to do so. We have sent that communication out to Canada, and we have not yet got a reply. Sir Charles Tupper was very earnest on the subject that to make these settlements a success we should not press for the repayment of the advances just now. He said the people were obliged to borrow money at very high rates of interest to buy plant and one thing and another, and it would be much better that we should let them go on borrowing the money as they had done, from us.

3344. (To Sir *C. L. Ryan.*) Will you say whether you are satisfied or not with the explanation which has been given by Sir Edward Hamilton with regard to the sum of 7,500*l.*?—My position is that I have a duty imposed on

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me by Parliament, under the Exchequer and Audit Act, to require vouchers and proof of payment in respect of every grant in Supply. This is a grant in Supply, and this has in no way been taken out of the category of an ordinary grant by means of the Appropriation Act, or by a resolution stating it is a grant-in-aid. Therefore I am merely acting ministerially in stating that I cannot vouch for this expenditure, of which I have no knowledge, and that I cannot accept the Treasury letter as sufficient authority for withdrawing the account from the ordinary operation of the Exchequer and Audit Act.

3345. You agree with what Sir Edward Hamilton said, that had the resolution been so worded as to imply a grant in aid, you need not have raised the subject?—If that had been so I should have considered that I had sufficient authority for waiving the provisions of the Exchequer and Audit Act.

3346. Would you agree with Sir Edward Hamilton's proposition that the only thing to be done now is for this Committee to sanction what has happened, on the understanding that next year the resolution shall be so worded as to cover the grant in aid?—I, of course, have no knowledge, and do not know how much out of this 7,000*l.* has been spent at all, or whether any portion of it still remains in the hands of the Accounting Officer, and whether it is intended to allow that sum to so remain. Therefore it would be hardly proper for me to offer, as it were, any advice to the Committee on the subject. I am acting strictly under the law, and I cannot waive the provisions of the law.

Mr. *Hanbury.*

3347. You have not even sufficient information to say whether it is a sort of case that ought to be treated as a grant in aid?—I could not express an opinion upon that point.

Mr. *Alpheus Morton.*

3348. You are clear that by the Act of Parliament you ought to see the account?—I am clear that under the Act of Parliament I ought to have the vouchers.

Chairman.

3349. (To Sir *E. W. Hamilton.*) Can the vouchers be given?—As regards so much of the money as has been spent, they could be given; but I am aware, of course, that a great part has not been spent. It was not required in the year. It has been treated as a grant in aid, and is therefore not surrendered, but held over for future expenditure.

3350. You recommend to the Committee that this course be adopted, namely, that Parliament should be asked to sanction that this 7,500*l.* should be treated as a grant in aid?—Yes; but I do not think it follows necessarily that it should be the whole amount. Some inquiry might be made as to how much the Secretary for Scotland expects to require to spend; if he did not expect to require to spend the whole of that sum it might be sufficient for him to retain a portion of it.

3351. Could you inquire into that by the next meeting of the Committee, and tell us the result?—I think that is a question more for the Secretary for Scotland himself to reply to. Perhaps Sir Colin Moncrieff could speak to it.

3352. (To Sir *Colin Moncrieff.*) Could you answer that question?—Yes. Of this 7,500*l.* alluded to here, about 7,283*l.* is unspent. That is very easily explained. For two seasons colonists were sent out from the crofter counties of Scotland to the north-west of Canada; since July and August 1892 none have been sent out; Sir George Trevelyan was not satisfied that they were doing well out there; and accordingly there was no reason for sending out more, and so the money has been merely held back and lying in the bank, and we have got some 300*l.* interest for it; in fact, action has been suspended.

3353. Then does not it come to this, that a certain sum of money has been granted by Parliament, that the greater proportion of it has not been expended, and yet has not been surrendered?—Yes.

3354. On the ground of it being virtually a grant in aid?—I do not like to speak for Sir George Trevelyan without consulting him, but I think what he would have said was that if he had been better satisfied with the success of the experiment so far as it had gone, then he would have gone immediately and got more crofters to go out; but he was not satisfied. Therefore the money was retained in the hands of the Colonisation Committee until such time as Sir George Trevelyan saw fit to send out more colonists. The money is lying in the bank getting interest.

3355. (To Sir *E. W. Hamilton.*) Do you consider, as representing the Treasury, that the procedure described by Sir Colin Moncrieff is quite regular?—I did not understand that the case was as Sir Colin has just represented.

3356. I understand Sir Colin Moncrieff to say that the Secretary for Scotland was not altogether satisfied as to the progress of the experiment, and therefore he kept this money in hand, not accounting for it?—It is the Colonisation Board that has kept it in hand.

3357. (To Sir *Colin Moncrieff.*) It is not accounted for as expended, and yet it is not surrendered?—It is in the hands of the Colonisation Committee.

3358. (To Sir *E. W. Hamilton.*) Is that quite regular, according to the view of the Treasury?—If there is no intention of spending the money now, I think some steps ought to be taken to surrender the money, and if at some future time the scheme should be revived application could be made to Parliament to re-vote the money.

3359. Could

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Chairman—continued.

3359. Could you inquire a little further and tell us at the next meeting of the Committee how the matter stands?—I do not know whether Sir Colin Moncrieff would go so far as to say that having this money, and not having spent it for about two years, the Secretary for Scotland would be prepared to surrender it. (Sir *Colin Moncrieff.*) I have not asked Sir George Trevelyan the question specially, and I should not like to answer for him.

3360. Would you be prepared to give an opinion at the next meeting of the Committee?—Surely.

3361. What I am asking is whether or not this money ought to be surrendered?—I think myself there would be no difficulty about surrendering it; I do not think Sir George Trevelyan would object, but I do not like to say positively without consulting him.

Mr. *Mowbray.*

3362. (To Sir *C. L. Ryan.*) I understand, in the case of a grant in aid, you are satisfied with the general certificate of the Accounting Officer, and do not require vouchers of the expenditure?—That is understood to be implied by the term "grant in aid."

3363. Therefore, if this had been a grant in aid you would have been satisfied with the general receipt of the Accounting Officer, and would not have required vouchers, and would not have gone into the question of whether the money had been spent or not, because there would have been no obligation upon the Department to surrender the surplus?—That is so.

3364. I see in the year 1888-89 and 1889-90 you did get the vouchers in detail?—Yes; it was only in this year that the question of treating it as a grant in aid (as has been explained) was raised. I am unable under the law to accept the Treasury dictum that this should be treated as a grant in aid, because I have no authority under the Act of Parliament to exempt it from the provisions of the Exchequer and Audit Act unless it is so mentioned in the account. I may observe that the Exchequer and Audit Act is silent with regard to grants in aid, but in order to prevent any impediment to the public service it has been held from the commencement of the Exchequer and Audit Act that the wording of the resolution in Supply and the Appropriation Act shall give the necessary authority for exempting any particular Vote from the provisions of the Exchequer and Audit Act, and for avoiding the necessity of a surrender and detailed information with regard to it.

3365. In fact, it was to prevent your going into the vouchers, as you had done in the year 1888-89 and 1889-90, that this plea of its being a grant in aid was for the first time set up this year?—I should not like to speak to the reasons for the course that has been taken, because I am not cognisant of them. (Sir *Colin Moncrieff.*)

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Mr. *Mowbray*—continued.

May I say that is not the case. I did not even know the technical point as to its being a grant in aid.

3366. (To Sir *C. L. Ryan.*) I only asked that question because I notice that you say it "was eventually done in respect of expenditure in the years 1888-89 and 1889-90," which suggested to my mind that you had had to press for the vouchers in those years?—I pressed for the vouchers from the commencement, but there was a good deal of difficulty, which I recognised and admitted, as regards obtaining them in the time. I got them, however, and there was no plea raised that I should not get them. Perhaps I dealt a little more leniently with this Vote in preceding years than I was strictly justified in doing under the Act of Parliament, but I did it thinking that it would have been imposing an almost impossible obligation, if I had said that I would see how every penny of the Vote was expended. There was, however, no contest and no idea that I should not have vouchers, and, indeed, every effort was made to give me everything they could up to this year.

3367. Whatever may be the reason, this is the first year in which the plea of a grant in aid has been set up?—Yes.

Mr. *Alpheus Morton.*

3368. (To Sir *E. W. Hamilton.*) This is clearly understood by you now not to be a grant in aid, is it not?—The terms of the resolution were not framed for a grant in aid.

3369. (To Sir *Colin Moncrieff.*) Do you think there is any difficulty in giving these accounts?—There have been many little difficulties.

3370. But is it merely a question of delay for a few weeks?—It is merely delay. There have been little foolish difficulties as to the exchange of dollars into pounds, and so on. Our agent out there has done his work very well, but he is not a man of much education.

3371. There would not appear to be much difficulty in exchanging dollars into pounds?—No, but there are various difficulties. For instance, in corresponding with Winnipeg we may not get back a direct answer the first time, and then you have to ask again, and there is delay. Mr. Colmer, the Secretary to the Board, is going over to Canada this summer, and I fancy he will put it all right.

3372. How much money has the Board got in hand?—£. 7,283.

3373. Does that include the interest?—No; that is beside the interest.

3374. Do you know why previously to 1892 if there was any balance it was surrendered?—I do not think there was much balance; I am not certain.

3375. Is it not set out in the account on page 517, paid over to the Exchequer, 83*l.* 10*s.* 8*d.*?

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—I think the feeling of the Colonisation Board, or of Sir George Trevelyan, who is the President of it, was this: that if the Treasury did not object to allowing the Board to keep the money lying in the bank bearing interest, that would be a convenient course; and we asked the Treasury, and got their consent on the idea that we should take up the work again.

3376. Did the Treasury consent to that?—Yes.

3377. Was an application made to the Treasury?—Yes, it was all done with the knowledge of the Treasury.

3378. Did the Treasury give you in writing power to retain the money?—Yes.

3379. Can you show us the letter in which they give their consent?—I have not got it here, but I can get it. It is a copy of the letter to which the Comptroller and Auditor General refers, on page 518, when he says: "In reply, I was furnished with the Treasury letter, dated 17th February 1893, in which their Lordships stated that they considered that the grant for the Crofters' Colonisation in this year's Estimate might be treated as a grant in aid, and that the balance available might be issued to the Colonisation Board before the 31st March 1893."

3380. You have not got the Treasury letter stelf, I understand?—No.

3381. What is the date of the letter?—The 17th February 1893.

3382. (To Sir *E. W. Hamilton.*) Can you let us have that letter?—I have a copy of it here; it is a very short one. It is dated 17th February 1893, and in it the Treasury say that they "consider that the grant for Crofters' Colonisation in this year's Estimates may be treated as a grant-in-aid, and that the balance available may be therefore issued to the Colonisation Board before the 31st March next, as proposed."

3383. (To Sir *Colin Moncrieff.*) I understand that you lent this money to these colonists?—The principle upon which we went was that they had their passsage out and outfit, and they were started; that is to say, we got bits of land in Canada for them, and there were a certain number of cattle bought for them before they got there to stock the farm, and a certain amount of ploughing done. It was before my time; but I think also some grain was sown for them, so that they would find a crop in the ground. Then they got afterwards further advances of seed.

3384. It is not that sort of detail that I was asking, but rather as to what sort of lien you took upon the property, and what the property was?—The property is 150 acres, and we have a lien on the land and stock also.

3385. A mortgage on the land?—Yes, and on the stock also.

3386. Then did you get these liens sent over to you eventually?—Yes, we got a great number of them sent over, which were all shown to the

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Comptroller and Auditor General and sent back again. As he states at the bottom of page 517, certified copies of the remaining liens were sent to him.

3387. I want to know why there is the delay in sending over the liens?—The liens were expected to be utilised in Canada, and they did not like to let them out of their hands, and so we got a certified copy of the securities instead.

3388. Did you get a copy from the Registry Office, stating that the lien is registered?—I do not know.

3389. (To Sir *C. L. Ryan.*) Is that so?—I do not know the exact form of it.

3390. Is it stated that the liens on this list are registered?—I cannot answer as to a detail of that kind.

3391. (To Sir *Colin Moncrieff.*) Do you know that a lien is no good in Canada at all unless it is registered?—Then, I presume, our lawyers there have seen that it is registered.

3392. You do not know that it is?—I do not know.

Mr. *Arthur O'Connor.*

3393. You were saying that these colonists have to borrow money at high rates of interest?—Yes.

3394. They were not told that before they went out, were they?—I do not suppose they were.

3395. I suppose you know that their condition became very pitiable afterwards; there has been a report, has there not?—Yes.

3396. Have you read it?—Yes.

3397. The condition of the colonists, as described in that report, is very pitiable, is it not?—No.

3398. Some of the lands are abandoned altogether, are they not?—Yes, a good many.

3399. Did not some of the people leave the lands in absolute destitution?—It was not quite that. They strayed away and found work elsewhere. There are two different colonies, Killarney and Saltcoats; a great number of the Saltcoats people said that they did not like the land, and some took fishings, and some took to working on the railway. Sir Charles Tupper in his report, which I presume is the report to which the honourable Member alluded, does not give a bad account of them at all.

3400. It was not Sir Charles Tupper's report that I was alluding to. However, you do not consider that their condition is pitiable?—No.

3401. At all events, if this is to be regarded as a grant in aid, presumably it is to be in aid of some service actually being carried on?—Yes.

3402. But this is a service which is not being carried on?—It is temporarily suspended.

3403. Is there any reasonable expectation of its being resumed; is your experience in the past such as to give you reason to hope that you will

Appropriation Accounts.

Vote 9.—Crofters' Colonisation (Advances in Aid)—*continued.*

Mr. *Arthur O'Connor*—continued.

will be able to resume this service?—I do not know.

3404. Is there any ground for expectation that it will be resumed?—It must depend very much upon circumstances——

3405. At any rate, it is not going on now?—It is not going on now.

3406. The object with which this money was advanced having failed, at all events, so far as you can see at present, the Department is simply keeping the money and getting interest upon it?—Yes.

3407. Do you propose to do that indefinitely?—I have no objection to the money being given back, speaking personally; but I should like to consult my chief upon the point before speaking definitely.

3408. Did the Department intimate to the Comptroller and Auditor General that they were willing to surrender the money?—I do not think the thing has come to us in that kind of shape; but you must understand that my chief, Sir George Trevelyan, is the person whom I must refer you to in the matter.

3409. You have not been in your present office very long, I think?—For less than two years; all these proceedings were taken before I came.

Mr. *Hanbury.*

3410. (To Sir *E. W. Hamilton.*) Was this treated as an Advance in Aid in the original Estimate?—It was intended to be so.

3411. Is the heading we have here the heading of the original Estimate; I see it is called here, "Crofters Colonisation (Advances in Aid)"; was it so called in the Estimate?—Yes.

3412. The Treasury seem to have taken it upon themselves to decide that it should be treated as a grant in aid, and so be exempt practially from the control of the Comptroller and Auditor General. Where do the Treasury get their power to give a decision of that kind, in face of the form of the resolution?—It was a question whether the actual words, "Advance in Aid," being in the details of the Estimate did not cover it. The intention of the Treasury was that it should be originally a grant in aid.

3413. The form of the resolution, you say, was against its being a grant in aid?—Yes.

3414. Then I say, on what authority did the Treasury, in spite of the fact that the Vote was not treated by Parliament as a grant in aid, in so far as the resolution was concerned, put it outside the control of the Comptroller and Auditor General?—Merely in order to give effect to the original intention of the Treasury, which was that it should be treated as a grant in aid.

3415. That may have been the original intention of the Treasury, but do they know that that was the original intention of Parliament?—The honourable Member will understand that in the details of the Vote the words "Advance in Aid" do occur, and therefore Parliament was seized of the intention of the Treasury to treat it as a grant in aid.

3416. That is the ground upon which they went; they were guided rather by the title appended to the Vote than by the form of the resolution?—Yes, it would be fair to put it in that way.

Sir *John Hibbert.*

3417. Was the form in which the money was voted the same each year; has it always been "Advances in Aid"?—Yes, "Advances in Aid."

3418. (To Sir *Colin Moncrieff.*) Did you take any Vote last year for this?—No.

3419. And this year none is proposed, I believe?—No.

3420. When was the last year you took a Vote?—1892-93.

3421. Then the year we are on is the last one?—Yes.

Mr. *Alpheus Morton.*

3422. (To Sir *E. W. Hamilton.*) Was it not called "Advance in Aid" in the Estimates?—I think the honourable Member will find it is "Advances in Aid."

3423. That is different to "Advance in Aid"; which would refer, would it not, to the fact that the money is to be advanced to the crofters?—I do not see any great difference between the plural and the singular number.

3424. Does it not make it different altogether?—I do not see that.

Sir *John Hibbert.*

3425. (To Sir *Colin Moncrieff.*) I understand you to say that some of these crofters have left their farms?—Yes.

3426. Will any steps be taken to take possession of the derelict farms?—Yes, steps have been taken.

Mr. *Arthur O'Connor.*

3427. Are they worth anything?—They tell us they are.

Mr. *Bartley.*

3428. (To Sir *E. W. Hamilton.*) Really and truly the responsibility, as regards making this experiment, rested with this Board and not with the Government, did it not?—I believe so.

3429. Was it not treated as an advance in aid rather than a grant over which the Treasury had control, in order that the Government might not be absolutely responsible?—That was the original intention of the Vote, no doubt.

Mr. *Alpheus Morton.*

3430. If that was the original idea, why was it not carried out?—Because in the original Vote there were certain other administrative expenses put into the Vote, and that is why the Treasury did not originally call it a grant in aid;

Appropriation Accounts.

Vote 9.—Crofters' Colonisation (Advances in Aid)—*continued.*

Mr. *Alpheus Morton*—continued.

and therefore to get over that difficulty they put the Sub-head as "Advances in Aid," in order to show Parliament how they intended to treat it.

3431. Included in this sum of 7,500*l.*, are there any administrative expenses such as you have just mentioned?—No, there are no administrative expenses.

3432. Is the whole of this money intended to go to the crofters?—Yes, to the Colonisation Board.

3433. Do you see any reason why Parliament should not have the same control over this money as other moneys, through the Comptroller and Auditor General?—No; I suppose it is a very difficult Vote to account for, but it was one of those cases where I should have thought a grant in aid was specially suitable, because it would be very difficult for the Department to know whether they would be able to spend the sum in the particular year or not.

3434. Why do the Treasury want to interfere at all?—On the contrary, the Treasury did not wish to interfere at all. The Treasury wished that the money should be left in the hands of the Colonisation Board.

3435. But previously to this particular year, I understand the Comptroller and Auditor General examined the accounts?—The Treasury had nothing to do with the rendering of the accounts for this Vote. It was a matter for the Scotch Office.

3436. But previously to this particular year the Comptroller and Auditor General examined the accounts?—I presume the Scotch Office had some accounts in their hands which they were able to give the Comptroller and Auditor General, but this year, not having spent the money, they have no accounts.

3437. I understand you to say that the Treasury made an order that this was to be considered as an advance in aid?—They said it might be treated as a grant in aid in the special circumstances in which the Vote had been submitted to Parliament.

3438. Why did the Treasury intervene at all?—Because they were asked by the Scotch Office, who wanted to know whether they were to surrender the money or not.

3439. Did the Treasury desire to keep it from the Comptroller and Auditor General?—They did not desire to keep it from the Comptroller and Auditor General, but they desired to prevent the money from being surrendered. The Scotch Office hoped that next year an opportunity might occur for working the scheme more favourably, and they would be able to spend the money in the following year.

3440. Not being controlled by the Comptroller and Auditor General, they could spend the money how they liked, could they not, having taken the money out of his control?—The responsibility for spending the money would rest with the Colonisation Board.

Appropriation Accounts.

Vote 9.—Crofters' Colonisation (Advances in Aid)—*continued.*

Mr. *Alpheus Morton*—continued.

3441. Parliament would know nothing of how they expended it, would they?—Not if it was treated as a grant-in-aid, unless some special account were presented to the House.

[Sir *Colin Moncreiff* withdrew.

On Vote 10.

Relief of Distress, Ireland.

Chairman.

3442. (To Sir *E. W. Hamilton.*) In the last sub-section of paragraph 2 of the Report of the Comptroller and Auditor General upon this Vote, in regard to certain outstanding claims, he remarks that in view of the Treasury Minute no objection is taken to the appropriation of the payment in question, but he has considered it right to notice the matter; have you any further explanation which you desire to offer to the Committee besides what has been already stated in the Treasury Minute?—There is no question raised there, I think, and I have nothing to add to what is stated in paragraph 2; the matter is settled, so far as I am aware.

3443. (To Sir *C. L. Ryan.*) Have you anything to add?—I have nothing to add.

3444. You think there is nothing more to be done at this moment?—I think not.

3445. (To Sir *E. W. Hamilton.*) You will notice what is said in the last sub-section of paragraph 3 in regard to a certain legal dispute; the Comptroller and Auditor General remarks that as it has been ascertained that no settlement has been made, and that the suit has not yet been proceeded with, he thought it right to notice the matter in his Report; have you any further information to give the Committee upon that subject?—I do not know that I can add anything to what the Comptroller and Auditor General states. The case has not yet been settled.

3446. Will there be some delay before it is settled?—I do not think it has come before the court yet. It is a question as to whether a plaintiff who sued the Board of Works (Ireland), and claimed 2,000*l.*, will be be content with 500*l.*; and in the meantime the 500*l.* has been paid into Court.

3447. Pending settlement, you think there is nothing more to be done?—Not for the moment, I think.

3448. (To Sir *C. L. Ryan.*) Have you anything you wish to add upon the point?—No.

3449. You concur in the opinion that there is nothing more to be done at this moment?—Yes.

Mr. *Alpheus Morton.*

3450. (To Sir *E. W. Hamilton.*) What is the meaning of the "Appropriations in Aid," in this particular

Appropriation Accounts.

Vote 10.—Relief of Distress, Ireland—*continued*

Mr. *Alpheus Morton*—continued.

particular Vote for "Relief of Distress"?—If the honourable Member will turn to page 519 he will see it explained in foot-note B.; it was in relation chiefly to the sale of huts.

3451. In regard to the 157*l.* 10*s.* mentioned at the end of paragraph 2, which was paid to some solicitors, how do they make out that to be relieving distress?—There was an arbitration, and the 157*l.* 10*s.* represents costs connected with that arbitration. It was very desirable to commence proceedings at once to employ the people, and in order to commence proceedings at once the Government had to go to some arbitrator in connection with a contract.

3452. Do we get any return anywhere of how this money is expended?—I am afraid I cannot answer the honourable Member about that point.

3453. Then there is a further sum of 500*l.*, which you have offered in settlement of all claims in another case; how do they make that out to be "Relief of Distress in Ireland"?—It was a payment in connection with a contractor.

3454. Is that relief of distress?—Yes.

3455. Is not it rather relief of the contractor?—No; it was in connection with a suit brought by a contractor against the Office of Works.

3456. How can it relieve the distress of Ireland to pay 2,000*l.* to the contractor?—The claims of a contractor had to be settled before any relief works could be started. Had there been no relief works, there would have been no cause for arbitration. So this is an incidental expense connected with getting the relief works started.

3457. Is it not a very considerable sum to be in dispute with this contractor over a question of the relief of distress?—It is a considerable sum; I am afraid I am not acquainted with the further details of it.

3458. Do we get any particulars with regard to these things?—If the honourable Member likes to have over a gentleman from Ireland to explain the matter it can be done.

3459. Do we ever get a report as to how the money is expended?—I am not aware.

3460. I asked because this is only part of very large sums which have been expended in Ireland in relief of distress; do we get anywhere a report of how the money is expended?—Not that I am aware of.

Mr. *Arthur O'Connor.*

3461. There is no officer present here, is there, conversant in detail with this Vote?—No.

3462. With regard to the Stranorlar and Glenties Railway, it is managed through the Board of Works in Ireland, is it not?—Yes.

3463. The railway was to have been finished years ago, was it not?—I am afraid I am not acquainted with the details in regard to the railway.

3464. And it is not half done yet; do you know who the contractor is?—No.

Appropriation Accounts.

Vote 10.—Relief of Distress, Ireland—*continued.*

Mr. *Arthur O'Connor*—continued.

3465. You are not aware that it is the chief proprietor of a rival line which is interested in preventing its completion; do you not think it would be a very good thing if we had here the officer from the Department of Works who allowed this?—I think more than one Financial Secretary to the Treasury has been over to Ireland for the purpose of looking over works of this kind.

3466. Was the Treasury aware who the contractors were when they sanctioned the proceedings?—The honourable Member is putting a question I cannot answer.

3467. Would the Treasury acting directly in England allow rivals to contract for a work which was against their own interest?—I am afraid I am not acquainted with the facts.

3468. I want to put this question, because I believe the whole thing is a monstrous job, and simply disgraceful to the Board of Works (Ireland) and to the Treasury; I want to know what amount of inspection the Treasury makes into the Board of Works as an honestly administered public Department; what check have you against the grossest possible jobbery in the Board of Works in Dublin?—The Treasury exercise supervision and control over the Board of Works in Ireland, and to the best of their ability they examine the reports sent to them by the Board of Works; and, as I have said, I think that more than one Financial Secretary of the Treasury has been over to Ireland for the purpose of looking over works of this nature.

3469. What amount of check does the Treasury exercise upon the Department; or does it look upon it as a Department that may be trusted to conduct its own business without supervision?—I understand the honourable Member implies that there is no supervision.

3470. I should imagine there was not?—I know that the Board of Works takes up a great deal of time at the Treasury; I am not acquainted with the details, as I have very little to do personally with it, but I know it takes up a great deal of the Department's time. I do not know of any other Department that comes under the Treasury more directly and more continuously than the Board of Works in Ireland.

3471. At any rate we have nothing here to show us how the financial arrangements of the Board of Works in Ireland are initiated or carried through, or what check there is upon it?—No; there is nobody here to directly represent the Board of Works.

3472. We do know that very long periods beyond those contracted for are consumed in works which perhaps are never completed, and that a very large amount of money is spent?—I do not know whether that is so.

3473. Whether it is properly expended, and ought to be allowed to pass the audit there, this Committee are scarcely in a position to judge?—I understand the Comptroller and Auditor

Appropriation Accounts.

Vote 10.—Relief of Distress, Ireland—*continued.*

Mr. *Arthur O'Connor*—continued.

General has not raised any question upon this particular Vote.

3474. He challenges a certain expenditure, which is put down on account of promotion money connected with that railway. A very large amount of public money has been lavished upon the Stranorlar and Glenties Railway, which is not finished yet?—The honourable Member is aware as regards this particular Vote that it is accounted for by the Chief Secretary for Ireland. The works have been carried on under the Board of Works, but the actual Vote is accounted for by the Chief Secretary for Ireland.

3475. I suppose as regards the Treasury the Board of Works is the immediate agent of the Chief Secretary?—Yes.

Sir *John Hibbert.*

3476. (To Sir *C. L. Ryan.*) You from year to year examine, do you not, all the expenditure with regard to these railways?—Yes; whenever it is voted, I do.

3477. Would you, from your knowledge of the accounts that have been presented to you, consider that the expression that has just been used "gross jobbery," is rather exaggerated; from your experience of this account is there anything to lead you to believe that there has been any "gross jobbery" in the expenditure of this money?—I must distinguish, of course, between the expenditure for relief of distress and the expenditure upon railways, so far as I can follow it in this case. The expenditure upon relief was necessarily expenditure very imperfectly vouched. It was done under circumstances of very considerable pressure, and it was very difficult to ascertain whether the sums paid had been entirely earned at the time by the labourers who were employed, or otherwise. But I have no reason to doubt that the expenditure as a whole represented *bonâ fide* outlay on the part of the officers employed for the purposes of meeting the distress; and there is nothing that came in any way before me in connection with the relief of distress (and I can speak fairly positively upon this, because it was an account in which I took some interest myself, from the peculiar nature of it) which I could say was improper expenditure, or as to which any word such as "jobbery" could be used. But if the honourable Member asks me whether I can in any way

Appropriation Accounts.

Vote 10.—Relief of Distress, Ireland—*continued.*

Sir *John Hibbert*—continued.

say that the contracts which were put out on behalf of the railway, or that the administration in connection with it, was in all respects such as it should be, my answer is that the accounts give me no opportunity of forming a judgment.

3478. Is it within your knowledge that the Board of Works were pressed, when this money was granted for the relief of distress in Ireland, to commence the works at once without waiting for proper estimates or proper contracts to be made with the contractors?—I am aware that that was so.

3479. Might not that fact alone have led to points of dispute arising such as those which are referred to in your Report?—I quite think the circumstances of pressure may have easily led to the question of litigation, which is alluded to in the Report.

Mr. *Arthur O'Connor.*

3480. Nothing in the accounts would show whether the contract was improperly placed?—Certainly not.

Mr. *Alpheus Morton.*

3481. Is it not a fact that about half of this money voted for the relief of distress in Ireland goes to officials and contractors, and not to the poor?—I am quite unable to say that from anything that comes before me in the accounts, but the honourable Member will remember that the money must be distributed in the shape of work, and the contractors were required or urged to take up certain bits of work for the purpose of employing the people and giving them wages in what was thought to be the best form of relief.

3842. Does not a large amount of this money go to officials?—Certainly not. Of course, officials are required for the purpose of superintending the work; officers, engineers, and so on, have been employed for the purpose of seeing that the work was done, and their salaries were charged.

3483. So far as you know, we have never been presented with any return or account showing how the money has been expended?—I do not know how you are to get any return giving you any further detail, except the fact that the money has been spent upon the sub-heads shown here, for railways and so on.

3484. This is only a small part, is it not?—This is a remanet.

REVENUE DEPARTMENTS, INCLUDING THE POST OFFICE PACKET AND TELEGRAPH SERVICES, 1892–93.

On Vote 1.

Customs.

Mr. Henry J. Gardner called, in; and Examined.

Chairman.

3485. At the end of paragraph 4 of the Report of the Comptroller and Auditor General on this Vote, he remarks that certain rules applicable to Store Accounts were to come into operation on the 1st July 1893; can you confirm that anticipation; are the rules coming into force?—Yes; they did come into operation on the 1st July 1893, under the order of the Board of Customs, No. 36 of 1893.

3486. (To Sir *C. L. Ryan.*) Are these accounts now more susceptible of test examination by your officers?—They will be in future; they have not yet been tested, but they will be.

Mr. *Alpheus Morton.*

3487. (To Mr. *Gardner.*) On page 526, I wish to ask what is the explanation of the expenditure of 763*l.* 11*s.* 1*d.* more than granted under Sub-head B 2?—It is explained in the note on the other side. "An improved scale of subsistence allowance was granted by Treasury letter 2056, 1891; also an increase of travelling expenses was incurred in connection with 'The Landing and Shipping Extension of Hours System,' Treasury letter, 5th October 1891."

[Mr. *Gardner* withdrew.

On Vote 2.

Inland Revenue.

Chairman.

3488. (To Sir *E. W. Hamilton.*) You will observe what is said at the end of paragraph 6 of the Report of the Comptroller and Auditor General upon this Vote, to the effect that as he is "not aware that any general power to remit stamp duties imposed by statute has been conferred upon the Treasury, the present practice, if it is to be continued, appears to require the sanction of an Act of Parliament. The correspondence on the subject is appended." Does the Treasury concur in that view, and do they contemplate submitting a Bill to Parliament?—Certainly the Treasury do not claim to have the power to remit fees of this kind. This is a practice dating back to 1848, and I presume in former days the Treasury were not quite so strict in this matter, and their attention had not been called to it.

Chairman—continued.

3489. Will the Treasury submit a Bill?—The Treasury admitted that, if the exemption was to be further continued, legislation would be necessary. The alternative was to withdraw the exemption, and on the whole the Treasury thought the best way was to drop the exemption; so that there is no necessity now for legislation.

3490. (To Sir *C. L. Ryan.*) Are you satisfied with that explanation?—That meets the point. Exemptions are now no longer given.

On Vote 3.

Post Office.

Mr. Algernon Turnor, C.B., called in; and Examined.

Chairman.

3491. In paragraph 2 of his Report upon this Vote, the Comptroller and Auditor General says that certain extra receipts appertaining to this Vote, which have hitherto been paid to the Exchequer, have this year for the first time been treated as Appropriations in Aid; may the Committee understand that that has been effectually done?—Yes.

3492. You regard that as the preferable practice?—That is in accordance with the practice laid down by the Treasury.

Chairman—continued.

3493. (To Sir *C. L. Ryan.*) Have you any remarks to make upon that point?—This is only doing in the case of the Post Office what has been carried out with almost all the other Votes.

3494. (To Mr. *Turnor.*) I passed over one passage which I should have referred to, namely, the 3rd sub-section of paragraph 1. The Treasury states that a certain excess expenditure to which they were unable to give sanction must be left to the consideration of the Public

Revenue Departments, &c.

Vote 3.—Post Office—*continued.*

Chairman—continued.

Accounts Committee. Will you state in the briefest terms how the excess came to occur?—The matter is fully explained in the correspondence that is printed in the accounts. It was necessary to send an officer to Constantinople to survey the office there. The office had not been personally surveyed for 10 years; he was paid at the rate authorised by the Treasury letter of 1883. His stay there was extended owing to certain circumstances which one might say were accidental; there were some robberies in the Turkish Post Office which he had to inquire into. But the whole of the payment was in accordance with the authority received from the Treasury, and the excess is simply due to the fact that 200*l.* was not a sufficient Vote to take.

3495. But if that be so, why were the Treasury unable to give their sanction to the excess?—Perhaps the question should be addressed to the representative of the Treasury; I cannot see any reason why they should not.

3496. (To Sir *E. W. Hamilton.*) You have heard what Mr. Turnor said, to the effect that the Post Office thought that this expenditure was in accordance with the authority given to them by the Treasury, and yet the Treasury seem to think otherwise?—I do not think the Treasury find fault so much on the ground that it was contrary to authority, but they thought it was a very extravagant arrangement, and to mark their sense of the extravagance, they thought the best way would be to send the correspondence to the Committee of Public Accounts.

3497. It was a question of administration rather than one of authority?—Yes.

3498. (To Sir *C. L. Ryan.*) Have you anything further to say with regard to this point?—No. The matter is only referred to because the Treasury intimated that the matter should be left to the Public Accounts Committee.

3499. You have no means of judging from the accounts whether the arrangement was extravagant or not?—No.

Mr. *Arthur O'Connor.*

3500. (To Sir *E. W. Hamilton.*) What was the arrangement that was held to be extravagant; was it the allowance of 30*s.* a day?—It was the addition to ordinary salary of 200*l.*, plus the 30*s.* a day subsistence allowance and travelling expenses. That was the point taken by the Treasury at the time.

Chairman.

3501. (To Mr. *Turnor.*) In paragraph 7 the Comptroller and Auditor General notices the apparent insufficiency of various "explanations" given of the causes of variation between expenditure and grant in various instances mentioned in that paragraph; have you any remarks to submit to the Committee upon that point?—I should like to point out to the Committee that in so very large a total as 6½ millions, which is the expenditure of the Post Office, it is exceedingly difficult

Chairman—continued.

to estimate, 16 months in advance, what will be the precise sum required for every Vote. If you look at the differences and look at the expenditure, I think I may claim that the differences are exceedingly small on such large sums. For instance, the expenditure on Sub-head A. 1 was 1,337,000*l.*, and the difference between the grant and the expenditure is only 11,500*l.* That appears to me to be a very small difference on such a very large sum.

3502. (To Sir *E. W. Hamilton.*) Have you anything to remark upon what Mr. Turnor has said?—I agree with Mr. Turnor. I think it is really a small variation; 11,000*l.* upon 1,300,000*l.* is less than 1 per cent. Considering the numerous details that it is made up of I should have said the Post Office came very near the mark.

3503. You should have said there was not much to explain?—No, except that it is made up of so many details that if Mr. Turnor once began to explain how the 11,000*l.* was made up, I can imagine that he would have to go into a very elaborate statement.

3504. (To Sir *C. L. Ryan.*) Have you anything further to add upon the point?—The point of the paragraph had no reference to the largeness or smallness of the variation, but rather to this, that such a statement as "a saving effected" is not an explanation.

3505. (To Mr. *Turnor.*) Supposing it were said that the fact of the variation being small rendered it consequently easier to explain fully, what would you urge?—It is the practice of the Post Office in this large Vote to take what it thinks would be sufficient for the item, and it is exceedingly difficult to make any explanation satisfactory to the Comptroller and Auditor General. Every excess is submitted to the Treasury separately. If more expenditure is incurred under one item, it is all submitted, and the authority of the Treasury is taken.

3506. But why could not you give the reason for the excess?—It is very difficult to give the precise reason. Supposing, for instance, the Postmaster General orders so many more pillar boxes to be set up, you may give that as the explanation, but then you have got to ear-mark the pillar boxes and say which were the pillar boxes that he ordered to be put up, and which caused the excess of expenditure.

3507. But you could say that so many pillar boxes were ordered to be put up?—Yes.

3508. Did you say that much?—Wherever we can. I have put here as the explanation to A. 12, "The number of boxes erected exceeded the Estimate owing to increased facilities granted through the action of Parliament;" that is to say, Parliament decided that more facilities should be given. I do not know what I can say beyond that.

3509. (To Sir *C. L. Ryan.*) Would you consider an explanation of that kind sufficient?—In that particular case no doubt it was sufficient.

I am

20 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Turnor. [*Continued.*

Revenue Departments, &c.

Vote 3.—Post Office—*continued.*

Chairman—continued.

I am acting in this matter only with the view of making the explanations clearer and more satisfactory for the purposes of Parliament, not with any object of my own.

3510. Still I understand you to say that as regards many details no explanation was given?—Practically, no explanation is given in the instances referred to in the paragraph. To say that a saving was effected is not an explanation; it is a statement of fact. If it is thought that the service is one of which it is impossible to give any explanation, and if that was stated as the explanation, I should be satisfied.

3511. (To Mr. *Turnor.*) In the case the Comptroller and Auditor General mentions at the end of the paragraph where the only note is, "a saving effected," could you not have given some more specific explanation?—You mean, I presume, the saving of 3,705*l.* under Sub-head G. 9. That is a difficult matter to explain. We estimate 5,000*l.* for the variation in the expenses of railway contracts in Ireland. We do not know in the least what circumstances may arise in the year; we take about 5,000*l.* for possibilities. It so happened the circumstances did not arise that particular year, and we did not want all the money.

3512. Could you not say that?—We could do so. I could fill the accounts with a good deal of that sort of explanation. It is not worth much more than the explanation stated. There was no demand, and we did not want the money.

3513. (To Sir *C. L. Ryan.*) That is not stated, and that is what you want, I understand?—What I mean is that a statement of the character given in that case is not an explanation.

3514. If it was stated that contrary to what was expected there was no demand under certain circumstances, that, I presume, is the sort of explanation you require?—That, I think, would be sufficient.

3515. If Mr. Turnor had stated in writing and somewhat amplified what he had stated to us, you would have been content?—Yes.

3516. (To Mr. *Turnor.*) You appreciate the point, no doubt?—I am perfectly willing to give explanation where it is possible.

3517. May the Committee understand that you will give sufficient explanations in future?—The Comptroller and Auditor General is rather difficult to satisfy. I would suggest that when he gets the authority for the excess he should ask in each case why there is an excess, and we then should let him have it in detail without its appearing on these accounts. It would take up such a very large portion of the accounts to explain in full detail all the variations on a Vote of 7,000,000*l.*; it is all stated in the correspondence with the Treasury.

3518. (To Sir *C. L. Ryan.*) What do you say to that?—Mr. Turnor seems to think I want

Revenue Departments, &c.

Vote 3.—Post Office—*continued.*

Chairman—continued.

the explanation for myself. I do not want it at all for myself; I can find it out from the accounts; but I thought Parliament was hardly given sufficient information in some cases where it could have been more fully given. If it is contended that it cannot be given, that is an answer; but otherwise I should have thought, for the purpose of informing Parliament, an explanation of the difference between the expenditure and the grant could have been given more fully, and that it would not have been very difficult for the Post Office to give it, at all events, to a certain extent.

Mr. *Bartley.*

3519. (To Mr. *Turnor.*) As I understand, you are prohibited altogether from spending a penny more than the Vote?—Without the sanction of the Treasury.

3520. Therefore is it not absolutely necessary that you should frame your estimate so as to cover all your liabilities?—Yes.

3521. Is it conceivable that in such a large account as 7,000,000*l.*, such a small item as 50,000*l.* might easily occur as a surplus?—Yes, certainly.

3522. Am I not right in supposing you employ hundreds of thousands of persons on salaries?—Yes.

3523. Do not those salaries vary constantly?—Yes, there are annual increments.

3524. And deaths occur and persons come in at the bottom of the scale instead of at the top and so on; is it not necessary that some margin should be given?—Certainly.

3525. Therefore in a Vote of this amount there must be some slight margin of difference between the actual expenditure and the estimates?—That is so.

3526. As I take it, this excess is about 1 per cent., is it not?—Rather less.

3527. In your opinion, is that very reasonable?—I think it is an extraordinarily near estimate.

Mr. *Arthur O'Connor.*

3528. This column of "Explanations of the Causes of Variation between Expenditure and Grant" is not put here for the information of the Post Office, is it?—No.

3529. Because you have the information already?—We have a certain amount of information.

3530. You would be the parties having the information if anybody has it?—Yes.

3531. Therefore this column is not intended for your enlightenment?—No.

3532. The Comptroller and Auditor General has access to the vouchers?—Yes.

3533. Therefore he would scarcely require the explanation set forth here; for whom, then, is it intended?—I suppose it is intended for the Committee.

3534. The Committee have not the vouchers

20 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Turnor, C.B. [*Continued.*

Revenue Departments, &c.

Vote 3.—Post Office—*continued.*

Mr. *Arthur O'Connor*—continued.

before them; therefore, if there is any variation which requires explanation at all, I suppose, for the sake of the Committee, it would be well to give it with that degree of particularity which would enable us to trace the reason for the difference?—Certainly; if there is any information that is worth giving to the Committee, I am always only too glad to give it.

3535. Take the case of the saving of 1,190*l.* on the item of "Travelling," on page 550, the words "economy effected" do not convey much explanation, to my mind. I can see that that is so without the words "economy effected"; it does not carry me any further; it is no "explanation"; it does not make anything plainer than it was before?—I could explain how it is effected.

3536. It is not explained in this "explanation"?—No; but part of my ordinary duty is to examine all these travelling accounts, and to endeavour to keep them within the proper limits, and to challenge them if I think they are getting too high.

3537. That I apprehend completely; but I am dealing now with the entries made by the Post Office in this column headed "Explanations," with regard to which the Comptroller and Auditor General has said that he does not consider them sufficient. I so far agree with him that I am bound to say that the words "economy effected" do not explain anything to me or carry my mind any further than the point at which I had arrived when I read the words "expenditure," 1,190*l.* "less than granted"?—I suppose, if I were to amplify that, I should tell you that circumstances in this particular year did not necessitate so much travelling; a surveyor, perhaps, was not called upon to move about so much in that particular year; or I should tell you that, owing to vigilance at headquarters, he was made more economical in his travelling. There are no other reasons to give.

3538. I see economy has been effected also in the matter of rent to the extent of 1,400*l.*..or 1,500*l.*?—To give the details of all the reductions in rent, and so on, in each particular case, would occupy a page of the account. It could be given, of course.

Mr. *Hanbury.*

3539. Take the case mentioned by the Comptroller and Auditor General of Railways in Ireland, Sub-head G. 9, where the explanation simply says, "a saving effected"; as a matter of fact, if you were to amplify that statement, what would you say?—I should say that there were fewer notices given by directors of changes in contracts for railways, or there were fewer new undertakings that year, and therefore the money was not wanted.

3540. That would not be a very long note, would it, if that is the explanation?—No, I could state the simple facts.

Revenue Departments, &c.

Vote 3.—Post Office—*continued.*

Mr. *Hanbury*—continued.

3541. (To Sir *C. L. Ryan.*) That is what you want, I think, is it not?—Yes, I think so. (Mr. *Turnor.*) I was under the impression that the Comptroller and Auditor General was more desirous perhaps to receive explanations when the difference in the account was the wrong way instead of the right way.

Sir *John Hibbert.*

3542. As I understand, the Comptroller and Auditor General does not ask for the information so much for himself as to give the Committee and the public the information?—Yes.

3543. Would it be possible, without very much trouble, to extend the explanations given?—I should be very glad to do so in any case where there is an intelligible explanation to be given.

3544. I observe there are seven cases where you merely put the note "a saving effected"; might not a little extension of the explanation in those seven cases be advisable?—Yes.

On Vote 4.

Post Office Packet Service.

Chairman.

3545. (To Sir *E. W. Hamilton.*) In paragraph 2 of the Comptroller and Auditor General's Report on this Vote he says: "It appears that the transfer of Government property to a Local Authority has been attended with the creation of a new charge upon a Vote of Parliament;" and he goes on to state he is not aware whether this circumstance was taken into consideration in the conditions of the lease which Her Majesty's Government were empowered to grant under the provisions of the Act 54 & 55 Vict. c. 125; have you any remarks to make upon that point?—While the Dover Harbour Bill was before the House the Board of Trade objected to there being a clause exempting mail packets from harbour dues; and therefore the Post Office, under that Act, became liable for those dues, so long, at any rate, as the then existing contract with the Belgian Government was in existence. However, since that Bill has been passed the Anglo-Belgian Postal Convention has come to an end; and I believe it is probable that in the new Convention that will be made, instead of the Post Office being made liable for the dues, the Belgian Government will become liable for them. Therefore it is not a charge that will permanently rest upon the public. (Mr. *Turnor.*) That arrangement, I may say, has been carried out.

3546. (To Sir *C. L. Ryan.*) Have you anything to remark, after hearing that explanation?—No; the arrangement, as I understand it, is at an end, or will be at an end very shortly.

3547. Then you are satisfied?—Yes.

3548. (To

20 *June* 1894.] Sir C. L. Ryan, K.C.B., Sir E. W. Hamilton, K.C.B., and Mr. Turnor, C.B. [*Continued.*

Revenue Departments, &c.

On Vote 5.

Post Office Telegraphs.

Chairman.

3548. (To Mr. *Turnor.*) As regards paragraph 5 of the Comptroller and Auditor General's Report, where he refers to the insufficiency of the explanations of the causes of variation, I suppose the remarks you have already made to us upon the preceding Vote apply to that paragraph, so that I need not labour that point?—Yes.

3549. In the sub-section at the bottom of the page you will observe that the Comptroller and Auditor General suggests that the explanation

Revenue Departments, &c.

Vote 5.—Post Office Telegraphs—*continued.*

Chairman—continued.

would have been more complete had it been accompanied by a foot-note showing the value of the stock in hand at the end of the financial year, and he proceeds to say that such notes have for many years past been given in the case of the Army and Navy Accounts, and their adoption by the Post Office would, he thinks, be attended with considerable advantage; is your Department prepared to comply with that suggestion?—Yes; there will be no difficulty in that.

[Mr. *Turnor* withdrew.

CONSOLIDATED FUND.

Abstract Account, 1892–93.

Mr. *Arthur O'Connor.*

3550. (To Sir *C. L. Ryan.*) I wish to ask you a question with regard to the last paragraph on page 7 of your Report, which runs in these words: "In stating the liability of the country in respect of the Public Debt, certain other items should be taken into consideration; thus, there were liabilities outstanding on the 31st March 1893 in respect of" several cases, which are there enumerated; is this an exhaustive list of the liabilities?—I would not undertake to say that it is an absolutely exhaustive list.

3551. Do you audit the accounts of the Post Office Savings Banks?—Yes, to a certain extent.

3552. I ask the question because I do not see any Report by you on them; we have received this morning an "Account of all Deposits received and paid under the authority" of certain Acts, and an "Account of the Sums received and paid by the National Debt Commissioners on account of Fund for the Post Office Savings Banks;" and, amongst other things, I find this: "Advanced to Her Majesty's Exchequer, in aid of Ways and Means, per 56th and 57th of the Queen, chapter 28, 1,190,000*l.*"?—That would not come within this year's account.

3553. But are you quite sure that there was not a similar sum in the previous year?—(Sir *E. W. Hamilton.*) I think I can answer the honourable Member's question, which refers, I understand, to the advance on Ways and Means

Mr. *Arthur O'Connor*—continued.

which the National Debt Commissioners made on behalf of the Post Office last autumn. That is the first time the Government have borrowed on Ways and Means from the National Debt Commissioners for many years.

3554. Next year, if there is a similar enumeration of liabilities by the Comptroller and Auditor General, this item of 1,190,000*l.* will be included in the 1893-94 Account, unless it is paid off before the end of the financial year?—Yes.

Mr. *Bartley.*

3555. As regards the sum of 783,626*l.*, the liability for the Savings Banks and Friendly Societies, do you happen to know what that refers to; is it the old Trustees Savings Banks?—Yes.

3556. It is not the Post Office Savings Banks?—No. The securities are valued on a particular day (the 20th of November, I think it is) in each year, and if those assets are not equal to the liability, then the difference becomes a liability on the State.

3557. There is a Vote every year to reduce it, is there not?—No.

3558. There used to be, I think?—That was in respect of interest. This is in respect of capital. With the great rise in the value of first-class securities last year, there was no deficit at all on the 20th November, or it was reduced to quite an inappreciable amount.

TREASURY CHEST, 1892–93.

Mr. *Arthur O'Connor.*

3559. (To Sir *E. W. Hamilton.*) With regard to the statement of cash balances on page 8, is it necessary to keep such large balances at some of

Mr. *Arthur O'Connor*—continued.

these places abroad?—We are trying to work with the lowest possible balances. At some places we find that at certain times of the year they

Treasury Chest, 1892–93.

Mr. *Arthur O'Connor*—continued.

can raise money on less advantageous terms than at other times, and therefore at certain times of the year there is a larger balance allowed to be kept than the prescribed balance, which is three months in hand.

Mr. *Bartley.*

3560. You very much reduced the balances last year, did you not?—That applied more to the Treasury Chest balances in this country.

Mr. *Arthur O'Connor.*

3561. Do you want as much as 43,000*l.* at Hong Kong, or 32,000*l.* at Bermuda?—Those were cases where it is difficult to raise money at a particular time of the year; and therefore the balances stand abnormally high. At another time of the year they would be considerably lower.

3562. The receipts appear to be a low multiple

Treasury Chest, 1892-93.

Mr. *Arthur O'Connor*—continued.

of the balances in the case of Bermuda; the balance is equal to 20 per cent. of the receipts; whereas at Malta I see the balance is only 40,000*l.*, with receipts of 830,000*l.*?—I do not think 40,000*l.* is a very large balance at Malta. The Fleet calls at Malta.

3563. But at Bermuda the balance is 32,000*l.*, where you have receipts of only 164,000*l.*?—We watch these balances very carefully.

Sir *John Hibbert.*

3564. The amount kept in the Treasury Chest at Hong Kong was reduced last year, was it not?—Yes, it was reduced last year.

Mr. *Arthur O'Connor.*

3565. Was that deliberately done, or did it so happen?—It was deliberately done; it was reduced from 42,000*l.* to 25,000*l.*

LOCAL LOANS FUND.

Accounts, 1892–93.

Chairman.

3566. (To Sir *E. W. Hamilton.*) In the last sentence of paragraph 8 of the Comptroller and Auditor General's Report upon this Vote, near the top of page 27, after referring to the balance of interest outstanding, the accumulation of arrears and so forth, he goes on to say that he has caused the matter to be brought under the notice of the Treasury, but had not at the date of the Report received a reply; perhaps a reply has been sent subsequently?—Yes; the matter has been considered at the Treasury in consultation with the Public Works Loan Commissioners, and the Treasury have adopted the suggestion of the Comptroller and Auditor General, and have communicated with him in the course of the last two months.

3567. (To Sir *C. L. Ryan.*) Are you now

Chairman—continued.

satisfied upon the point?—I think the arrangements will now become satisfactory in this matter. I am not certain whether I have got quite the final decision of the Treasury yet, but they have endeavoured to meet the point.

3568. You do not think anything further can be done by this Committee?—No, I think the point is being met.

Mr. *Arthur O'Connor.*

3569. (To Sir *E. W. Hamilton.*) Has the Treasury resolved to adopt the Irish plan or the English plan?—The Irish plan.

3570. Then the Public Works Loan Commissioners will no longer accumulate the arrears in their hands?—No, we thought that was misleading.

CIVIL CONTINGENCIES FUND, 1892–93.

Chairman.

3571. (To Sir *C. L. Ryan.*) Do I understand that there is no report upon this Account?—No; this is not examined like an ordinary account; but you will see what is equivalent to a report on page 10, the statement that it has been examined and found correct.

3572. There is no further remark made?—No.

Mr. *Hanbury.*

3573. (To Sir *E. W. Hamilton.*) I observe on this Account again there is a question of remitting the Stamp Duties, and I should like to know what the powers of the Treasury are in this respect. Take the case on page 7, where Stamp Duties were remitted "on documents conferring a Barony on General Roberts;" have the Treasury power to remit the duties?—Not without the covering sanction of Parliament.

WOODS, FORESTS, AND LAND REVENUES.

Abstract Accounts, 1892–93.

Chairman.

3574. (To Sir *E. W. Hamilton.*) In paragraph 3 of the Comptroller and Auditor General's Report, he says that the particulars of arrears outstanding and discharged in respect of mines, will be found on page 8. Have you any remarks to make with regard to those arrears?—No.

3575. Is this statement satisfactory, in the opinion of the Treasury?—Yes, I think on the whole it is. I believe it is a difficult matter, but I think on the whole they are satisfied.

Chairman—continued.

3576. (To Sir *C. L. Ryan.*) Did you think, when you penned that paragraph, that there was anything objectionable or questionable in this statement of arrears?—No; I only thought it was a matter that ought to be just noticed.

3577. You have nothing particular to urge, or to object to in regard to it?—No.

[The Witnesses withdrew.

Wednesday, 27th June 1894.

MEMBERS PRESENT:

Mr. Bartley.
Mr. Buchanan.
Mr. Hanbury.
Sir John Hibbert.
Mr. Alpheus Morton.
Mr. Mowbray.
Mr. Arthur O'Connor.
Mr. Philip Stanhope.
Sir Richard Temple.
Mr. Webb.
Mr. Arthur Williams.

SIR RICHARD TEMPLE, BART., IN THE CHAIR.

INDEPENDENT STOCK-TAKING.

Sir CHARLES LISTER RYAN, K.C.B., and Mr. GEORGE L. RYDER, C.B., called in; and Examined.

Chairman.

3578. (To Sir *C. L. Ryan.*) THE Committee desire to consult you on a subject which has been mentioned several times during our sittings this Session, namely, the possibility, or otherwise, of having an independent stock-taking applicable to all Departments, but to be independent of those Departments, and subject only to the authority of yourself. The Committee would like to question you briefly upon three main points, first, whether, judging from anything you know, there is any need for such an independent stock-taking; secondly, whether it would be in any way connected with the already existing audit of Store Accounts under the Treasury Minute of 1886; and thirdly, whether, if the labour and expense of having a complete stock-taking independently under you were deemed impracticable, that is to say, too vast, it would be possible to have a limited sample or test stock-taking under you, independent of the executive Department. Those will be the main points upon which we should desire to have your opinion; and to save time I will ask you upon each one of them separately. The first point then would be whether you know of any need or reason for such independent stock-taking at all; whether by sample or in its totality?—To that question I can of course only give an answer so far as the examination which I have been enabled to give to the Store Accounts will enable me to do so, because, as the Committee are quite well aware, the duty of stock-taking is a duty that has never been imposed upon the Comptroller and Auditor General, and indeed, on the contrary, it is a duty from which he has been practically debarred by the terms of the Treasury Minute which impose the duty of a store audit upon him. Therefore my Department has never taken stock. I personally have taken stock on more than one occasion; in fact on almost every occasion when I have been at a Dockyard for the

Chairman—continued.

purpose of official inspection. But my object in taking the stock was to test the working of the particular operation of the stock valuation as compared with the storekeeping ledgers; that is to say, to ascertain how the arriving at the same result by two different courses, one value and the other quantity, has worked out in practice, and whether it has been a good and efficient check. That has been my object in taking stock in those instances. I am forbidden to take stock officially by the Treasury Minute; but I have informed the Committee on more than one occasion that I have taken the responsibility of taking stock in that way, and have explained the reasons why I have done so. Therefore I can only speak as to stock-taking from my personal experience in the case of those instances; and in the case of those instances I have only once found anything which revealed to my mind any serious case of deficiency or surplus, and that was a case now some years ago, in connection with paint in Devonport Dockyard. On that occasion I mentioned the matter to the Admiralty and asked for an explanation, and no satisfactory explanation was forthcoming. Barring that particular case, although there have been small discrepancies, which have been generally accounted for afterwards by the articles which were not then forthcoming being under repair in the repairing shop, or something or other which the storekeeper for the moment was not able to account for, I personally have not come across any case in which I have had any reason to suspect that the stores were not being properly kept, so far as I could judge from being personally concerned in stock-taking. That, however, is a very small branch of the subject. The question, as I understand, put to me is this: Does your examination of these Store Accounts enable you to form an idea as to whether the stock-taking by the Departments, so far as regards the point of independence (that is to

Independent Stock-Taking.

Chairman—continued.

to say, whether you may trust the people who take the stock) is or is not sufficiently accurately and properly conducted now to make you think there would be any object in someone else taking the stock? That I understand to be the purport of the question put to me. My answer is, that I have no reason to doubt the trustworthiness or the accuracy of the stock-taking as such, and no reason in consequence to recommend that public money should be employed for the purpose of doing the same work by other hands. The sufficiency is another question.

3579. Do I rightly understand from what you have said that you see no need even for a sample or test independent stock-taking to a limited extent; that is to say, supposing that the main stock-taking was done by the Departments for their own satisfaction as at present, do I understand that you do not see any reason for having a sample or test stock-taking independently under yourself?—If I am to answer yes or no, I should say I do not.

3580. For the reasons you gave just now?—Yes; there are other considerations which come in; but I am keeping strictly to your first point, with the view of giving as clear an opinion as I can upon the three different divisions of the question.

3581. My second point was, is this subject connected with the audit of the Store Accounts under the Treasury Minute of 1886; that is to say, does that audit of Store Accounts in any way amount to an independent stock-taking?—The audit of Store Accounts does not touch the stock-taking as an executive Act, so to speak; but the results of the stock-taking are very largely embraced in the audit of the Store Accounts. In the case of the Admiralty the result of every survey which is taken of stores is, as a matter of course, placed before me and is open to my criticism; and, consequently, in the case of naval stores it is perfectly open to me to raise, and I have raised over and over again in my Reports, questions connected with deficiencies brought out by the stock-taking.

3582. Then are those surveys in the Navy Department included in these Store Accounts which are audited?—No, not as part of the accounts. But the reports of survey come to me as official papers as a matter of course.

3583. Then what is this audit of Store Accounts; does it amount in any way to an independent stock-taking, or is it not connected with stock-taking?—It is not connected with stock-taking.

3584. Has it nothing to do with stock-taking?—It has to do with it, because the results of the stock-taking form part of the store audit.

3585. I understand the results of these surveys are included in these Store Accounts which are so audited?—They are not included in the accounts at all, but they come to me as part of the store audit.

3586. What is meant by "the audit of the Store Accounts"?—The audit of the Store

Independent Stock-Taking.

Chairman—continued.

Accounts really is mainly an audit to see by means of a test examination of the detailed records that all rules and regulations of the Departments in connection with Store Accounts, store reserves, and so on, are properly observed. It is not an audit in the same sense that you audit a cash account in which you see the voucher for every payment.

3587. Notwithstanding anything that may be said regarding this audit of Store Accounts, is there any independent stock-taking now existing under you?—Not under me.

3588. Is there any stock-taking independent of the Departments now existing?—That is a question which would be more completely and fully explained to you, no doubt, by the officers connected with the Departments. It comes to be a question again of what is meant by "independent," whether officers under the same chief may be called independent.

3589. I mean independent of the departmental chief?—If by the departmental chief is meant the head of the Department, there is clearly no independent stock-taking.

Mr. *Hanbury.*

3590. I understood from Mr. Knox, or one of the witnesses representing the Admiralty, that Treasury clerks were called in sometimes to take stock; is not that so?—No.

Chairman.

3591. Would you not consider a complete independent stock-taking (by which I mean an enumeration of all articles in store) under you to be an operation too laborious and too expensive to be contemplated?—Individually I should no doubt consider it to be so, because it could not be the only stock-taking. There would be the departmental stock-taking as well; and the result would be a very much greater expense than I should personally think would be justifiable for the object to be attained. I would deprecate in the strongest way any action of mine which should lead to the diminution of the responsibility of the Department's officers. I think it would be fatal to place the responsibility upon a particular officer for whose acts the Department will not hold themselves responsible, and against whom they would all be banded together; it would make it extremely difficult for him to do the duty, and I think it would be decidedly contrary to public interests that any attempt should be made to shift the responsibility from the shoulders where primarily it must and ought to lie.

3592. Then putting the complete stock-taking out of the question, would it, in your opinion, be possible to have a small expert staff at a limited expense, for a sample or test stock-taking independent of the Departments and under yourself?—It is perfectly practicable and perfectly possible. The question, of course, is, first of all, the expense; secondly, weakening the responsibility; and thirdly, transferring a very serious responsibility to an officer who is fully weighted already in his cash duties; and although there is

Chairman—continued.

no difficulty in undertaking it if Parliament and the Government are of opinion it could be usefully done, the balance of my opinion is against it.

3593. Do you think an independent stock-taking to this limited extent would weaken the sense of responsibility in the Department in charge of the stores?—I think that there is always a tendency to magnify the value of the outside check whenever it is convenient so to magnify it; and that the Departments concerned are very apt to say, "Oh, well, the Comptroller and Auditor General does it, you know; I need not trouble myself very much about it." There is a tendency in that direction. Moreover, an item or sample is such a small thing when you are dealing with such a very large stock, where you cannot ascertain anything except so small a portion; that sample may be right, but the next pattern may be all wrong, and you would not find it out; there is nothing to lead to it in the case of stock. In cash I think one account being wrong, does very often lead one to take up the next account; but taking pattern A., and finding pattern A. quite right, would never lead you to take up pattern B., which might be quite wrong; there is no connection.

3594. Does not the knowledge that such a sample or test stock-taking may be taken at any moment at any place, keep the storekeeping authority in such a state of vigilance and accuracy that no such errors occur?—The Departmental stock-taking is already continuous, more or less, in all the Dockyards and Arsenals, and other places, and the storekeepers are quite as much in dread of their own superior officers as I think they would be of the Comptroller and Auditor General; and if it is to be a check so frequently applied over the enormous area which it has to embrace as to be one which would occur more often than once in three or four or five years, it involves a very large staff. I reckon roughly that in order to go over the stores once, say in five years, it would certainly cost 8,000*l.* to 10,000*l.* a year.

3595. Would such a limited system impose upon the Comptroller and Auditor General a moral or actual responsibility greater than he ought to be called upon to bear?—I think that the addition of this duty would be a very considerable responsibility; I am sure it would be made one by the Departments. The tendency of Departments would be to throw the responsibility upon the Comptroller and Auditor General. They would say, "Well, the Comptroller and Auditor General took the stock; why did he not find it out?"

Mr. *Bartley.*

3596. I gather from you that you really do not think that an extensive system of stock-taking would really be worth the expense?—An extensive system I do not think would be worth the expense.

3597. Do you think it would be practicable to have any stock-taking unless it was a complete system?—I think that the game will be hardly

Mr. *Bartley*—continued.

worth the candle (that is really what it comes to in my opinion) if you make it a very small sample stock-taking, which is the only other thing you can do without a very large increase of expense.

3598. May I take it that your view is that the responsibility ought to rest and be accentuated if possible upon the heads of the Departments themselves?—Absolutely; I am very strong upon that point.

Mr. *Philip Stanhope.*

3599. You spoke just know of certain casual stock-takings that you have taken part in occasionally at the Dockyard; have they been of constant occurrence?—I spoke of my own action, not my official duty.

3600. So I understood; has your action in the matter been of constant occurrence?—My own action has only been of course of very rare occurrence; it is only very occasionally that I have thought it necessary or desirable to do that which no predecessor of mine has ever done; that is to say, to go down to the Dockyard and to the Arsenal and personally look into and investigate for myself the accounts; but you could not call it a test stock-taking; it did not approach to that. I was merely giving my action as the only authority which I could give for the answer I gave to the question that was put to me.

3601. It has been very rare, you say; by no means an annual occurrence?—By no means.

3602. Do I understand there was only one occasion when you found a discrepancy between the stock in the account and what actually exists?—Only one occasion when there was a serious discrepancy. Slight discrepancies have constantly happened, but they were liable to be explained as I have said, and did not throw any suspicion or doubt on the general accurracy of the stock.

3603. The general result of this action of yours, which was for your own satisfaction with regard to certain points, would b ethat, so far as you know, there is no grave reason for supposing that this stock-taking is not properly carried out by the Departments at present?—I have no reason which would in any way justify me in coming before this Committee and saying that I think an independent stock-taking is necessary or desirable.

Mr. *Alpheus Morton.*

3604. You said just now something about the sufficiency of stock-taking; what did you mean by that?—When I spoke of the sufficiency of the stock-taking I think it was in connection with the question of sampling; that is to say, I was deprecating an insufficient test by the Comptroller and Auditor General. I admitted the possibility of a real, large and comprehensive test, and that I would only deprecate upon the ground of expense. But to throw the responsibility upon the Comptroller and Auditor General without the staff sufficient to do that duty satisfactorily

Independent Stock-Taking.

Mr. *Alpheus Morton*—continued.

factorily and thoroughly, would, in my opinion, be a misfortune.

3605. I rather gathered just now that you thought the present system of stock-taking was not sufficient?—That is a different question altogether, I think. I am not here to say that the whole of my investigation and the whole of my knowledge points to this: that the Departments do everything, and all that they could or should do. That I am not pronouncing upon; I have not answered that question.

3606. But could you answer it now?—I can only answer it for what my individual opinion in that matter is worth. Personally, if I were the head of the executive of the War Office or the Admiralty, I think I should make most careful inquiry before I rested quite satisfied that the present checks were quite satisfactory and sufficient, and the arrangements actually carried out in the Department were sufficient. I would rather not say more than that.

3607. Would not this test stock-taking that is suggested do what is wanted?—No; I think it is shifting the responsibility to the wrong person.

3608. You have told us that you already do stock-taking, as I understand?—I have described to you a small individual action of my own.

3609. That enabled you to find out, you said, one serious case of discrepancy?—I found out one case.

3610. Has this stock-taking of yours weakened the responsibility of the Departments in any way?—That individual stock-taking of mine is not recognised.

3611. You have been doing it?—I have been doing that which I was forbidden to do, and I did it contrary to the Treasury Minute, only for the specific purpose which I described to the Committee.

3612 But you have made use of it?—I have made use of it on an occasional visit, just as one may use many things. Doing it very rarely as an individual, and for a specific purpose, and on a special visit is one thing; but what the Comptroller and Auditor General should do, or his officers as part of their duty, is quite another matter.

3613. Have you not made use of the information so derived for the benefit of the Committee, or for the public benefit?—I consider everything I do is for the public benefit in the execution of my duty as a Parliamentary officer.

3614. You have made use of the information in your Report to Parliament, have you not?—Never in my Report. I have stated it before this Committee on one or two occasions, but I should not venture to put it into my Report to Parliament, because I do not venture to act contrary to the rules that have been laid down.

3615. You have been guided by it in your Report, have you not?—One is guided by all the knowledge one obtains; one cannot help it.

3616. Did you not consider that in that case you got valuable information?—I did not do it to a sufficient extent to make it anything like a basis to found upon.

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Mr. *Alpheus Morton*—continued.

3617. Still so far as it went you considered it useful?—For the particular purpose of ascertaining how the Stock Valuation Account was working, yes.

3618. Is there any other way of our knowing that the stock is right except by getting at it independently?—Of course, if you will not trust the officers who are appointed for the purpose of doing it, I do not know that there is.

3619. It is not a question of trusting the officers, because if that were so this Committee ought not to meet at all?—I think it is really a question of trusting the officers, because this is a question of counting.

3620. Does not the same apply to the control of the Comptroller and Auditor General over other accounts?—Yes; but in the cash accounts the principle of trust is not the principle upon which the Act of Parliament goes; it goes rather upon the principle of distrust; but it is a question how far that principle can be applied to stock, and whether an independent stock-taking is worth the cost.

3621. As regards cash, we count the money, do we not?—No; I do not verify the balances.

3622. Not by getting the bankers certificate?—I do not verify the balances in the hands of the sub-accountants; the bank certificates I do, for the deposit of securities, and so on.

3623. Is not the cash verified at all?—The balances of the sub-accountants are verified only by the Department itself. I do not go down and count the balances of the paymaster at Woolwich or the paymaster anywhere else.

3624. You mean, I suppose, the small balance there is in the cashier's pocket?—They come to a largish amount in the aggregate, and are spread over a large field.

3625. Eventually they are audited in some way, I suppose?—By the Department itself.

3626. Not by you, at all?—No.

3627. What did you mean when you said, in answer to a question of the Chairman's, there were "other considerations"?—I can hardly remember without the context. If the honourable Member will tell me the context I shall remember, no doubt.

3628. You said there were other considerations where sampling came in?—I thought that was the extent to which I should go in answering the particular question. I did not want to answer by anticipation the question that was coming afterwards.

3629. You gave us a rough estimate of what such a stock-taking would cost?—I gave you the roughest possible estimate; I have tried to frame an estimate, and I have found great difficulty in doing so.

3630. Would that be the cost for a complete stock-taking?—No; for taking the stock once in five years.

3631. But so far complete?—So far complete as going over the articles once in five years.

3632. You say it would cost about 10,000*l.* a year?—Yes; I will not bind myself to that figure.

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Mr. *Alpheus Morton*—continued.

3633. Could not a test stock-taking be done at a very moderate expense?—It could be done almost at any expense you like, depending upon the amount of the test.

3634. Why do you think such a stock-taking would relieve the officers of any responsibility?—I think I have explained my view upon that as much as I can; I do not know that I can add anything to what I have said. I give it as my opinion.

3635. Are you not aware that it has the contrary effect in businesses outside?—I do not think you can draw a direct analogy between a business establishment, relying as it does so very much upon stock-taking, and public establishments, which have not to work up to a profit and loss account, or ascertain upon the difference between their stock the loss and gain in the year.

3636. In large places of business they consider it necessary, do they not?—I am perfectly aware they do; and I have tried to indicate one of the differences between a business establishment and a public Department. There are considerable differences; you would get that, perhaps, more accurately from the Store Accounting Officers themselves than from me.

3637. Do you not think that this limited test stock-taking which has been mentioned would be of great use to us?—I have given you my opinion for what it is worth, and it is rather the other way.

3638. Do you say you think it would be of no use?—To say it would be of no use is another matter; I doubted whether it was worth the cost.

3639. Is it not the fact that instead of weakening the responsibility of the Department it would, probably strengthen it, they not being aware of what time you would come down upon the stock?—I cannot say whether that would be result or not. It is not my opinion at the present moment that that would be the effect.

3640. Surely that is the ordinary effect of a test stock-taking?—Yes, if it is done sufficiently frequently. But I have tried to show that if you do it sufficiently frequently it means a large expenditure. If a storekeeper does not see an audit officer once in five years he may begin to think he is rather a mythical personage.

3641. If the suggestion of the Chairman were carried out, the man would never know, would he, when the audit officer was coming?—He would not know, of course; but I do not think it would have a very great effect upon him; he would have his own Departmental officer, who is taking his stock continuously through the year.

Mr. *Arthur O'Connor.*

3642. You said that the duty of stock-taking was not imposed upon you, but that you were debarred from stock-taking by the Treasury Minute. I should like to ask you for a moment to put out of your mind altogether the Treasury Minute and go to the time antecedent to that; would you give the Committee your view of the extent of the authority conferred upon the Comptroller and Auditor General in respect of stores?—I am afraid the Comptroller and Auditor General derives no authority from anything but the Treasury Minute, because the Exchequer and Audit Act is silent with regard to the audit of stores; he has no authority apart from the Treasury Minute. In fact, had it not been so, of course the Comptroller and Auditor General would have begun his audit of stores in 1868. As a matter of fact he did not begin it till 1887, I think, or 1888.

3643. But, I suppose, that was because when the Comptroller and Auditor General was first appointed he had to take in hand a work which grew from year to year, and he was scarcely in the position at the beginning to take over all the work which you now do?—I have been at the Audit Office since the commencement of the Act, and if I may speak as to that point I should say that if the Act itself had clearly contemplated that duty, or even if it had not contemplated it in terms, if it had been shown to be an essential part of the work as understood by the framers of the Exchequer and Audit Act and as indicated in the words of the Act itself, I think we should have tried to do the work, and that we should not have waited so long.

3644. I gather under the Act you consider it is no part of the Comptroller and Auditor General's duty to investigate the alleged existence of stores or moneys-worth in the shape of balances of stock?—I do not think, under the Exchequer and Audit Act, it is his duty.

3645. And that the only duty you have in connection with stores is imposed by the Treasury Minute?—It is imposed by the Treasury Minute on the recommendation, of course, of this Committee.

3646. I would like to put this question to you: the position the Treasury took up in the year 1872, I think, was that the checking of balances was an administrative and not an audit duty?—That is so.

3647. Do you concur in that view?—I concur in that view; at all events, I have never seen any sufficient reason to justify me in taking a different view. It has been held always that the responsibility of the sub-accountants was to their principal accountant, and that it was not a responsibility which the Comptroller and Auditor General could take without diminishing and weakening the position of the principal accountant *vis-à-vis* his sub-accoun ants. Of course, the honourable Member is aware that by the very form of the Appropriation Account the Department stands charged with the whole of the amount voted, and it must show where the money has gone to, either by vouchers that it has gone, or that it is in the Paymaster General's hands, or in the hands of sub-accountants. Therefore, I can say where the money is, supposing that the sub-accountant is not dishonest, and has not made

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Mr. *Arthur O'Connor*—continued.

made away with the particular balances entrusted to him.

3648. I do not know whether you remember that some years ago in this Committee the representative of the War Office was asked if he could give a rough estimate of the value of the stores at Woolwich, say within 1,000,000*l.* or 2,000,000*l.* sterling, and he said he could not?—I think I do remember such a statement,

3649. About the same time it appeared that 6,000*l.* worth of coal was discovered at Portsmouth of which the authorities had no cognizance, because it was not on their books?—That might be so.

3650. At any rate, at that time the record of stock in hand was not as complete as it might have been, either in the Admiralty or War Office establishments?— No; but the Committee will remember (and it is a thing which I have some satisfaction in considering) that, mainly through my own action and that of this Committee, we have now got valuation accounts which we never had before, and we know a great deal more about the value of the stores than we ever did.

3651. That was the point I was wishing to come to; are you satisfied that the introduction of the check, so far as it goes, connected with these valuation returns is as complete as anything that can be devised; is it sufficient?—I think it is very valuable, because these valuations of stocks which are put into the Appropriation Accounts, and which show you there is so much at Woolwich and so much elsewhere, are not mere guesswork; they are all based upon the rate-books, and we test it by taking instances to see that those rates are accurately valued into the stock account. We do not of course guarantee that the whole has been accurately valued (we could not do that), but we do test it by taking numerous instances.

3652. You do test the valuation return in respect of the rates at which the things have been valued?—Yes.

3653. How are you able to say whether a gun which has been in stock for a long time is obsolete or not, and whether it is equal to the cost of production, or whether it is only worth so much as old iron?—That we should take upon professional valuation.

3654. A departmental valuation?—A departmental professional valuation.

3655. There you depend entirely upon the Department?—Yes, we must rely upon the Department there.

3656. Some of the subordinate officers are responsible, are they not, for a good deal of very valuable stock?—Some departmental officers, storekeepers, are in charge of very much more valuable and much more risky articles, in point of possible abstraction, than others, but where that is the case the departmental stock-taking is also much more frequent, the difference being in the case of the Dockyards one year or three years.

3657. Would such experience as you have had, either formal or informal, suggest to you the desirability or advisability in certain cases of the

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Mr. *Arthur O'Connor*—continued.

Comptroller and Auditor General being authorised, where he thought fit, to make an investigation of the existing stock or stores in charge of any particular officer?—If very clear regulations were laid down that the Comptroller and Auditor General might, if he thought proper, in any particular case where the documents which came before him appeared to him to be of a distinctly doubtful character, go instantly with the right to demand from the Admiral Superintendent or the Commissary General, or whoever the supreme officer might be, that he shall be accompanied by an officer of theirs for the purpose of taking immediately that particular stock, it might occasionally bring out at an earlier stage, and possibly more clearly and more fully, that which a departmental investigation caused by a query would bring out more or less later on.

3658. That would not cost any considerable sum, would it?—It would not cost any appreciable sum, I think.

3659. And it conld be done only when the occasion arose, and the Comptroller and Auditor General himself thought that it was advisable to do it?—It could only be done on the occasion of what I may call a suspicion, which could not be formulated in an official letter. You can understand that in looking at a document you may think that it contains an erasure which is of a doubtful or improper character, but you may not be able to say so in an official letter, because you have not sufficient proof.

3660. That is a suggestion I want to put to you, whether it would be advisable for the Comptroller and Auditor General to be invested with authority whenever the occasion appeared to him to make it desirable, to go instantly and require the Accounting Officer to produce his stock and show that he had on hand what he ought to have?—That, I think, is a power which, if Parliament trusts the Comptroller and Auditor General not to abuse it (and I do not know that he would), it might be in the public interest that he should have.

3661. That would not involve any large expenditure, I presume?—No.

Mr. *Hanbury.*

3662. Assuming that the Committee were of opinion that it would be advisable that your Department should undertake this test stock-taking, would any legislation be required, or could you do it with the sanction of this Committee and the Treasury, we will say?—There would be no necessity for any legislation. If the Committee recommended it, and if the Treasury supplied the staff, it could of course be done.

3663. Your powers, as given by the Exchequer and Audit Act, would cover it, would they?—It would be an extra statutory act, because it would not be covered by the Act itself.

3664. That is what I wanted to get at. It would not be covered by the Act itself?—No.

3665. May we start from this fact, at all events, that, in your opinion, at the present moment the stock-taking by the Departments

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Mr. *Hanbury*—continued.

themselves is not quite satisfactory?—I think it does lack something; I think it would be desirable that it should be improved. It is not for me to suggest exactly how administrative work of that kind should be done, or what should be done, but I have pretty clearly indicated before now in my Reports that I did not think the Departments were quite alive to their full responsibility in this matter, and that more might possibly be done. It is, of course, a question of expense, and that always raises a question of difficulty; but I think that Mr. Ryder would probably say that the Treasury would look favourably upon any proposal that they thought was really a good one for that purpose.

3666. Does that apply to all Departments, or to any particular ones; I suppose it applies specially to large Departments like the War Office?—In the small Departments the thing is scarcely worth while.

3667. You would say certainly the Admiralty and the War Office?—I should say certainly the Admiralty, and I think very possibly the War Office too.

3668. One of your main objections, as I understand, to taking stock yourself would be the chance of destroying the responsibility on the part of the Departments themselves?—Certainly.

3669. With regard to money, we go on the principle of distrusting them, do we not?—No doubt we do; but I think there is a very broad distinction to be drawn between money and stores. There is no Store Account as such; you cannot point to any account which contains the whole of the stores of the Admiralty, or the whole of the stores of the War Office.

3670. My point, however, is this: we do, so far as the money is concerned, go on the principle of distrusting the Departments, and so far as the stores are concerned, the principle of trusting them has not worked out satisfactorily up to the present time?—I think that a very great deal has been done within my own official life in the way of bringing up, and levelling up, the control over cash; and if the control over stores is still not quite up to the same form, I think the constant action of the Audit Office, backed by this Committee (if this Committee thinks proper to back it) would have a considerable effect upon stores. It has already had such an effect, as I have tried to point out, in the case of valuation, and I think it will go on having effect. It is only comparatively recently (less than 10 years) that a store audit has been undertaken at all; and it embraces a very large field altogether.

3671. As I understand by the Treasury Minute your officials are debarred altogether from taking stock?—They are.

3672. At the same time you felt, as I understand, that there was some necessity for either you or your Department to do it to some extent unofficially?—I thought I was an official sufficiently high in position to venture to break the rule, and to act as I did to satisfy my individual opinion with regard to the working of the system. I did it mainly, as I explained, not so much because I doubted the accuracy of the stores, as because I wanted to see the working of the check by value as against the check by quantity.

3673. My point is this: what you thought wise to do unofficially and personally, do not you think it would be wise to have done officially on behalf of Parliament?—I do not think so any further than I have already explained. I think it might be possible where a question of suspicion or doubt came under my notice.

3674. In fact the Treasury should so far cancel its existing Minute as to authorise you, in cases of emergency, to take stock?—I think that might be a useful power to be occasionally exercised.

3675. We have been considering it hitherto as a check, I will not say upon fraud, but at any rate upon carelessness; but looking at it from another point of view we have had some evidence before us this year as to Departments being entirely free without the knowledge of Parliament, so far as I understand, to dispose of these stores; take the case, for instance, of the tents and other things which they made a present of to the Greeks; you remember the case I refer to?—Yes.

3676. As I understand they might have just as well given away a million's worth as 15,000*l.* worth?—In my opinion they ought not to be allowed to give anything without a corresponding charge being made.

3677. So that at any rate it is necessary for somebody acting on behalf of Parliament to exercise that control over the Departments?—Of course if it was understood to be the rule, any case in which the rule was broken would be immediately reported.

3678. Do you mean it would be reported by the Department?—No, by the Comptroller and Auditor General.

3679. How would you be able to know that the stock had become less?—Of course I could only report it in cases where it came under my knowledge in the test store audit. It would appear in the accounts; any issue of that sort would appear in the ledger.

3680. Would that be so; how did you discover this present on the part of the War Office to the Greeks?—In this particular instance I only discovered it from the note on the account, because I had not the Malta stock-taking accounts before me at the time.

3681. Would you have discovered it next year for certain?—Not for certain.

3682. Then may I take it that at the present moment it is quite possible for any of these Departments, say the War Office or the Admiralty, to give away even a million's worth of stores (because the principle is the same whether it is 15,000*l.* or 1,000,000*l.*) or to dispose of stores to an enormous amount without it coming to your knowledge or to the knowledge of Parliament?—They could not of course dispose of stores to a very large amount without having to make

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Mr. *Hanbury*—continued.

make those stores good again. That would involve a cash transaction, and the cash transaction would come before me.

3683. Until they thought it necessary to make the stores good nobody would know anything about it?—Until they were made good it might not come before me. But it could not be done in a very large way because there would be a deficiency of tents, or whatever the article might be.

3684. It might very well run up to 30,000*l.* or 40,000*l.* for instance (we have seen it run up to 15,000*l.*), without your knowing anything about it?—It might. I will not undertake to say.

3685. Do not you think something ought to be done to create a check upon that expenditure of stores?—A test stock-taking would not necessarily touch it.

3686. With a test stock-taking there would be a fear of your dropping upon that particular Department, would there not?—The test audit of the Store Accounts would have enabled me to check it if I had happened to take the accounts of that stock in time. The test stock-taking would not touch it unless I happened to drop upon it.

3687. In your present audit, as I understand, you do not go beyond looking at the books?—No, and the issue vouchers and receipt vouchers in connection with them. But the stock-taking would not touch it, because the stock would be right according to the issue voucher.

3688. So far as I understand, the only test audit you do is that you look at the books and see whether the vouchers you receive correspond with the entries?—Yes, that is the Store Account.

3689. You maintain, as I understand, that a test stock-taking would not reveal the existence of the expenditure of stores any more than your test audit does at the present moment?—That is so.

3690. You admit, I suppose, that such cases show a dangerous state of things over which Parliament ought to have some control; what would be your suggestion for meeting that difficulty?—I am afraid I am not ready with a suggestion. I quite admit there is a risk there, but I do not see my way to a remedy.

3691. Even the note that appeared in the Appropriation Account was not necessary and need not have been put there, need it?—It would have been a breach of the regulation not to note a thing of that kind; but at the same time if it had been omitted I should probably not have been able, or I might not have been able to discover what had taken place; it depends upon circumstances.

3692. Every misappropriation is a breach of the regulations, is it not?—Of course it is.

3693. I take it from you that you do not see your way to suggest a remedy which would create a check upon a Department dealing with their stores in a way they would not be allowed to deal with their money?—I am afraid I do not see at the moment how it is to be done.

3694. The evil does exist, does it not?—I admit the evil.

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Sir *John Hibbert.*

3695. Upon that point would it not be possible to provide that in the case of any gift from the Army or Navy Department for any civil purposes on any purposes of the kind referred to, they should be compelled to provide the repayment of the cost of the stores given away, from the Civil Contingencies Fund or from the Vote; would not that be some check?—I think that is a course which ought to be pursued.

3696. Is it not the case that the functions under which you act under the Treasury Minute of 1886 are under these two heads; to ascertain and report, first, "whether regulations exist which appear to be calculated to secure within the Departments an efficient control over the receipt and disposal of stores;" and, secondly, "whether the regulations laid down are duly enforced"?—Yes.

3697. Those are the two branches under which you act, are they not, under the Treasury Minute?—Yes.

3698. As I understand, from the answer you have just given, you think it is possible that this Treasury Minute might be improved or extended by giving you some greater powers under extended regulations of some kind?—I think it might to the limited and guarded extent which I explained in my answer to Mr. O'Connor.

3699. With respect to the question of a test stock-taking, as I understand it, in the War Office and Admiralty, there is a continuous stock-taking of a certain kind in each store branch, and that is checked by an independent test stock-taking by officers of the Department; that is the case, is it not?—Yes. I would rather, of course, that you got your information upon that point from the fountain head; because the word "independent" is not to my mind quite satisfactory. I believe in the case of the War Office you may call the test stock-taking entirely independent. In the case of the Director of Stores he sends down from the central office in London two officers of his own who take the stock irrespective of the stock which is being continuously taken in the Dockyards; but it is within the same Department.

3700. But the persons sent down are independent of the store branch, are they not?—No; they are in the store branch itself; but they are independent of the storehousemen; they are officers of the Director of Stores; he is taking his own stock. I would not like to express any opinion upon an administrative question of that sort further than I am bound to do in answer to the question; but I do not think that is quite sufficient to meet the responsibility of the case. It never has to my mind appeared quite satisfactory.

3701. I suppose you must know, from your experience, where the system is weak, and how it can be made stronger?—Of course I have necessarily acquired a certain amount of knowledge, and I think there ought to be something more, possibly, in the case of the Dockyards.

3702. Have you full powers with respect to seeing the reports of the stock-taking officers of

 those

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Sir *John Hibbert*—continued.

those Departments?—All the reports of the stock-taking officers, the accounts of their surveys and so on, are placed before me as official documents in the case of the Admiralty, and I have full powers to look at them, and if I find out anything upon inspecting their report which seems to me to be wrong, I should think it my duty to pursue it. Hitherto that has not been the case with the War Office; but I think it should be, and I do not think the War Office would probably resist it. I have asked for it, and I think they will probably grant it; but there is a distinction between the two Departments, which, I think, very material in that respect.

Mr. *Arthur O'Connor.*

3703. I understand when you went down to Devonport and made these investigations, your object was not to check the stock on hand, but to test the method?—Yes, entirely.

3704 Did the method appear to you to be good or complete?—I think the check of ascertaining what the stock should be by value, and then seeing what it was by quantity both in the storehouseman's books and from the central ledger record, is a very good check, and a very valuable check; but I wanted to see that that was being carried out, and it has not been, I think, sufficiently and fully carried out by the Admiralty even perhaps to this day. They have got the check, but they do not use it to the full extent that they should, I think.

3705. From certain evidence we have had before us we have some ground to think that the existing system of stock-taking, however accurate it may be so far as it is carried, is not altogether sufficient. It is desirable that we should obtain full knowledge as to the sufficieney or insufficiency of the existing system. Can you suggest how we can arrive at an exhaustive knowledge of the sufficiency or insufficiency of the present method of stock-taking?—I think that if you examined fully the officers of the Department you would be able to get an amount of know ledge which I can only give you in an imperfect manner with regard to all the steps that are now being taken; and when you have got that information you will be in a better position to judge whether anything more is neccssary or not.

3706. What would be the particular point with regard to which you think we might so obtain useful information?—I think that I should start by a careful investigation into the steps actually taken in the various branches of the Admiralty; the Victualling and Dockyards, and the Naval Ordnance; and also with regard to the War Office in the same way. I think that probably you have never had placed consecutively before you by the officers, with full knowledge, the whole system, and what is now being done. I have only criticised it so far as I could properly do so from my point of view, where it seemed to me to be weak; but of course it does not lie with me to describe it fully

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Mr. *Arthur O'Connor*—continued.

and accurately; that ought to be done by those who are working out the system, and not by me.

3707. What we want to ascertain is in what respects and to what extent the existing system requires to be supplemented or completed?—That of course you will form a better opinion of when you have got the information from the beginning, from the officers in the Departments.

Chairman.

3708. (To Mr. *Ryder.*) You have heard the evidence given by the Comptroller and Auditor General?—Yes.

3709. May I ask do you generally concur with his evidence?—I fully believe that the Treasury would in the main concur with the evidence of the Comptroller and Auditor General.

3710. Therefore we need not ask you further upon that?—Certainly, my own opinion, so far as it may be taken to represent that of the Treasury, is in general concurrence with that of the Comptroller and Auditor General.

3711. Is there any point upon which you differ from what has been said by the Comptroller and Auditor General?—I do not think there is any point of real importance. I think I absolutely agree with all he said as regards the main proposal, namely, that of an expert branch subordinate to himself making a test stock-taking throughout the whole of the public service. His opinion was against that; and so would mine be. In the course of the evidence a modified proposal was made by Mr. O'Connor. That modified proposal, I think, was that it should be in the power of the Comptroller and Auditor General, whenever he saw reason to suspect, to call upon the officers of the Department concerned to take stock in his presence, or in the presence of one of his officers. It seems to me that is a proposal which the Treasury would be very ready to consider. It would not really involve the assumption by the Comptroller and Auditor General of one of the functions of administration, namely, that of stock-taking. What the Comptroller and Auditor General would do would be to call upon the Department to fulfil its own proper function of stock-taking.

Sir *John Hibbert.*

3712. In his presence?—In his presence or in the presence of his officers. I understand it would not involve the creation of any special Department or any particular expense. I feel sure the Treasury would be very ready to consider that proposal in consultation with the Department concerned.

3713. I presume there would be no difficulty in issuing a new Minute by order of the Treasury to carry out such a proposal as that which has been suggested by Mr. O'Connor?—No difficulty whatever. I imagine the Treasury would wish before taking that step to consult with the leading Departments concerned, including of course the Audit Office.

3714. There would be no difficulty, would there, in amended regulations carrying out the suggestion

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Sir *John Hibbert* —continued.

suggestion that has been made being embodied in a Minute which might be issued by the Treasury? —No difficulty whatever.

Chairman.

3715. I hold in my hand a Memorandum which you have handed to me containing eleven paragraphs, stating, as I understand, the Treasury opinion upon a certain proposal, and the first paragraph begins with the words, "This proposal"; what is the proposal referred to in this Paper?—The proposal referred to is what I understand to be the main proposal before the Committee, namely, the creation of an Expert Branch subordinate to the Comptroller and Auditor General, and reporting the results of their test stock-taking to him.

3716. You understood that the proposal was that the expert establishment should be quite limited both in strength and cost?—I understood that it might be but a small expert branch; but in that case it would not be likely to be very effective in its action. I handed in that Paper, because I was anxious that that reply, at any rate in substance, should be before the Committee, as I believe it represents the opinion of the Treasury, and not merely my own opinion.

3717. Will you read the Memorandum, so that we may have it before us?—"This proposal is one which, in the opinion of the Treasury, ought not to be adopted without grave consideration of its probable consequences, nor without more careful consultation with all the Departments concerned than is within the power of the Public Accounts Committee. The objection to it entertained by the Treasury is one of principle; the immediate effect of the proposal will be to commit to the Comptroller and Auditor General an indefinite part of one of the functions of administration which properly belong, not to an auditor but to the chiefs of the administering and spending Departments. If the proposed test stock-taking be done on a small scale, it will be practically

INDEPENDENT STOCK-TAKING.

Chairman—continued.

useless having regard to the enormous field and infinite variety of stock to be taken in the yards, factories, arsenals, and fortresses at home and abroad, on board ship and in remote stations. If it be done on an adequate scale so as to apply an efficient check to the whole area, the cost will be very large, and tend continually to increase. The result must be either a great and unnecessary duplication of expenditure or the gradual transfer of responsibility for effective stock-taking, from the administering Departments to the Comptroller and Auditor General. When test stock-taking has become the business of a large expert branch of the Exchequer and Audit Office, a future Public Accounts Committee may think it expedient to devise an independent machinery for checking the discharge of these administrative duties by that branch. In the view of the Treasury, it is the duty of a large Department like the War Office or Admiralty to provide, not merely for continuous stock-taking by its own store branches, but for an independent test stock-taking by officers unconnected with the storekeeping staff, although subordinate to the Parliamentary chiefs of the Department, who are responsible to Parliament for the due administration of the stores. The reports of all stock-taking officers should be open to the Comptroller and Auditor General and his officers. The Comptroller and Auditor General can then comment freely on those reports, criticise the regulations under which they are made, and express his own opinion upon how far those regulations are fitted for their purpose, and have been properly observed. The Treasury has the best authority for saying that their view of the functions of an auditor in regard to stock-taking is supported by the practice of the auditors of our great railway companies. For the foregoing reasons the Treasury trusts that the Public Accounts Committee will not commit themselves to recommending the adoption of the proposal before them."

[The Witnesses withdrew.

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APPENDIX, No. 1.

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APPENDIX.

APPENDIX, No. 1.

PAPER handed in by Sir *E. Hamilton*, K.C.B., 20 June 1894.

DETAILS of the Sums Appropriated in Aid of the Vote for "MISCELLANEOUS EXPENSES," Vote 2, Class VII., in the Year 1892–93.

	£.	s.	d.
CROWN OFFICE AND HOME OFFICE FEES:			
On Letters Patent conferring the following Honours and Dignities, &c. :—			
1 Royal Duke	938	12	–
1 Duke of the United Kingdom	459	–	–
1 Marquis and Earl	678	1	–
1 Baron and Earl	507	6	–
1 Earl	323	–	–
13 Barons (2 with Remainders)	3,522	11	–
1 Termination of Abeyance of Barony	210	5	–
3 Peerage Claims	6	7	6
15 Baronets	2,908	2	6
5 Knighthoods	335	17	6
3 Warrants of Precedence	44	2	6
1 Permission to bear Title	10	2	6
TOTAL £.	9,943	7	6
Deduct,—Fees paid to Heralds, &c.	2,527	18	11
Net Receipt of Crown Office and Home Office Fees £.	7,415	8	7
QUEEN'S HOUSEHOLD—FEES OF HONOUR (under 30 Vict. c. 17, ss. 11 and 13) :			
On 27 Knighthoods and 1 Knighthood of the Garter conferred personally by the Sovereign	215	9	3
OFFICE OF LORD LYON :			
Fees for Grants of Arms, Searches, &c., (under 30 Vict. c. 17)	658	19	5
OFFICE OF ARMS, IRELAND :			
Fees for Searches, &c., in Register of Arms	16	15	–
TOTAL FEES ON HONOURS AND DIGNITIES £.	8,306	12	3
JEWEL HOUSE, &c., TOWER OF LONDON :			
Fees received from Visitors	1,819	10	–
TOTAL APPROPRIATED IN AID OF THE VOTE £.	10,126	2	3

APPENDIX, No. 2.

EVIDENCES of the Recognition by the Public Accounts Committee, in past Years, of the Power of the Treasury to sanction Deviations from the Estimate, within the Limits of a Total Vote.

(I.)

IT appears from the evidence given before the Pub ic Accounts Committee of 1862, by the then Chancellor of the Exchequer (Mr. Gladstone), that it was a moot question whether Treasury sanction should be held to be necessary for all deviations from the programme within each Naval Vote.

Mr. Gladstone stated as follows :—

Q. 1558. " I conceive it to be clear that in the case of a new work " (the Admiralty) " are bound to come to the Treasury " for their sanction ; but with regard to the question of the transfer of surpluses to meet deficiencies under the " different heads of a Vote, I confess that I have not entirely made up my own mind."

Q. 1559. As regards items on other than the Works Vote, Mr. Gladstone stated : " The claim of the Admiralty is distinct " upon the point that they are not bound to go to the Treasury unless in case of an excess over the total of a Vote. " I am not prepared to state that there is not some evidence to support that claim, but I do not think there is in such " an arrangement a proper security for the public interests ; and I think that it would have been the duty of the " Cabinet to consider, and it may still be the duty of the Cabinet to consider, how far the principle of the sub- " division of Votes should be recognised with regard to the Treasury control."

Second Report, 1862. The Committee did not express any opinion on the point, but their recommendations of the year led to an alteration in the form of the Annual Appropriation Act. The covering sanction of Parliament was thenceforth required for the application of surpluses to meet deficits on Votes ; and in order that Parliament might be sufficiently informed before giving such sanction, the Treasury directed the War Office and Admiralty to prepare and present to Parliament the detailed accounts, now attached to the Appropriation Accounts, exhibiting the estimated and actual expenditure under the sub-heads of the Votes, the surpluses or deficits on the sub-heads, and the causes of variation.

Treasury Minute, 27th January 1865.

The two Departments were, at the same time, directed to append copies of the correspondence in which Treasury sanction had been obtained " to defray expenditure not provided for in the Estimates."

(II.)

Questions as to the authority for deviations from the estimated programme, within Civil Votes, did not arise until after the passing of the Exchequer and Audit Departments Act, 1866.

Several cases of expenditure, which had not been specially provided for in the detailed Estimates, were brought before the Public Accounts Committee of 1870 in the Comptroller and Auditor General's Reports on the Appropriation Accounts of the Civil Grants for the year 1868–69, viz., the year in which the whole of those accounts were for the first time reported on, and which the Committee regarded as " marking the commencement of a new " era in our financial history."

First Report, 1870, par. 2. (1.) Under Class I., Vote 21 (Sheriff Court Houses (Scotland), a new sub-head had been opened for expenses incurred on acconnt of a Sheriff Court House at Inverness, which had not been provided for in the Estimate.

The Public Accounts Committee reported as follows :—

First Report, 1870, par. 7. " In this case there was an expenditure on a work at a place uot named in the Estimate : but it is covered by " the terms of the Appropriation Act."

" Your Committee, however, think that in all such cases the special reason for executing such a work in the " financial year should be explained in a note to the account."

(2.) Under Class IV., Vote 10 (University of London), certain costs had been charged against the sub-head for " incidental expenses," under Treasury sanction ; but the Comptroller and Auditor General reported that they were not properly chargeable to the grant, because it did not seem to have been the intention of the House of Commons to make provision for such expenses when the Vote was passed.

Evidence, Q. 1278–9. The Treasury held that the intent of Parliament was to be judged by the Votes, and not by the sub-heads; and that if an expenditure came within the terms of a given Parliamentary Vote, even though that special expenditure could not have been in the mind of Parliament, because the occasion for it arose, for the first time, after the Vote was granted, nevertheless the Treasury was entitled to sanction it, and to charge it to the Vote, and even to create a new sub-head of the Vote to which carry the charge.

The Report was as follows :—

First Report of 1870, par. 14. " Your Committee are of opinion that the Comptroller and Auditor General was entirely right in reporting " upon the charge . . . such not being 'a purpose for which such grant was intended to provide'; but inasmuch " as the expenditure is covered by the Appropriation Act, they are unable to say that there is any technical " incorrectness in charging the expenditure against the Vote."

(3.) Under Class V., Vote 8 (Grants in aid of Expenditure in certain Colonies), provision had, according to a detailed sub-head of the Estimate, been made for repairing damages occasioned by a hurricane at the Virgin Islands. The Comptroller and Auditor General objected to part of the charge included in the Appropriation Account, on the grounds that the expenditure had been incurred in making good the revenue of the Islands, rather than in repairing damages.

Evidence, Q. 1425, &c. The Comptroller and Auditor General (Sir W. Dunbar) and the Assistant Comptroller and Auditor (Mr. afterwards Sir W. Anderson) claimed that it was necessary to look to the sub-heads to ascertain the intention of Parliament ; and in order to ascertain whether the money expended had been applied to the purpose or purposes for which the grant was intended to provide, as directed by the 27th section of the Exchequer and Audit Departments Act.

Q 1443, &c. The Assistant Comptroller and Auditor, however, acknowledged that the Treasury had the power to exceed upon the sub-heads, to create a new sub-head, and to sanction expenditure which seemed to be justified by the general Vote.

The

The Committee reported as follows :—

" Your Committee are of opinion that " (the expenditure) " is properly chargeable to the Vote. They wish it, " however, to be understood that it is, in their judgment, the duty of " (the Comptroller and Auditor General) " whenever . . . . he considers that any money had been applied to any purpose other than that for which " the grant of Parliament was intended to provide specially to report thereupon, availing himself, in his discretion, " of any information given in the Estimate upon which the Vote has been taken." First Report of 1870, par. 17.

(III.)

In the Comptroller and Auditor General's Report on the Appropriation Account of the grant for Sheriff Court Houses, Scotland, 1870–71 (Class I., Vote 11), it was pointed out that expenditure had taken place at seven Court Houses not provided for in the Estimate.

The Committee expressed an opinion that the Comptroller and Auditor General had been justified in noticing the expenditure, and they added the following remark :— Second Report, 1872, par. 15.

" Although there is a surplus on the whole Vote, and although there is no dispute as to the authority of the " Treasury, under these circumstances, to raise new sub-heads, your Committee are of opinion that the Treasury " power has been invoked, in this instance, to a larger extent than is expedient ; and they hope that in future " years expenditure may take place more closely in accordance with the programme as exhibited in the Votes."

Under Class IV., Vote 2 (Science and Art Department) the Comptroller and Auditor General called attention in the same year to a new sub-head of charge for the purchase of premises by the Royal Dublin Society, which represented part of an amount voted but not expended in the previous year ; and he expressed an opinion that it would have been a more proper course to submit the sum for a re-vote.

In this case the Committee reported as follows :—

" Your Committee agree . . . that the sum . . . should have been the subject of estimate. Par. 41.

" Several instances have occurred . . . where it has been urged in explanation of a new sub-head that the " sum in question had been voted but not spent in a previous year. It would seem, however, that the true " justification of applying savings to new sub-heads is to be sought for in the urgency of such requirement, rather " than in the fact that Parliament had voted the money, possibly under different circumstances, in a previous " year."

(IV.)

In the Report upon the Appropriation Account of the Vote for Prisons, England, 1882–83 (Class III., Vote 17), the Comptroller and Auditor General called attention to a charge for the purchase of land, which he considered to be hardly comprised in the terms of the heading of the Vote.

The Committee reported as follows :—

" Your Committee consider that by a liberal interpretation of the term ' Expenses of the Commissioners,' it " may be taken to include necessary purchases of land to a moderate amount ; but that if the amount became " serious the heading of the Vote should be enlarged." Second Report, 1884, par. 23.

(V.)

In connection with the Vote for Public Buildings, Ireland, 1883–84 (Class I., Vote 23), the Committee of 1885 took evidence on the subject of expenditure upon certain works which had not been contemplated when the Estimate was originally framed ; and also on the subject of delays in obtaining Treasury sanction for part of the expenditure.

The Treasury expressed the opinion " that the sum granted for public buildings is granted as a whole, and that, " statutably, the Treasury can apply it to a new building ; but, at the same time, that when the Treasury has placed " before Parliament a list of new works, it would not hold that it had a free right to apply money to new works of " any consequence, except under such urgent circumstances as it would be prepared to justify before Parliament." Q. 32.

In the course of the discussion the Comptroller and Auditor General stated that he regarded it as his duty to call attention to excesses on Votes, and to mention every case in which the total on a sub-head had been exceeded. But, within the third part of the Estimate, he did not regard it as his duty to question any variation between the amount expended and the amount and purposes shown in the Estimates, provided the expenditure was within the four corners of the Vote ; or to raise any question as to the commencement of new works not previously shown in the Estimates, provided that the works had Treasury sanction. Q. 242 and 345.

The Committee recommended that " Special care should be taken in the preparation of Estimates, when " considerable latitude is allowed in the application of the sum voted "; and thought " that it would be desirable " that the Comptroller and Auditor General should call attention to expenditure of the nature not contemplated in " the Estimates, and that the application made to, and the consent given by, the Treasury, should be within " reasonable time." Second Report of 1885, paras. 11 and 12.

(VI.)

On the Appropriation Account of the grant for Law Charges, &c., Ireland, 1886–87 (Class III., Vote 21), the Comptroller and Auditor General called attention to a case of expenditure of so unexpected a nature that no provision could have been made for it in the Estimate. Treasury sanction had been applied for and given and the only defect, so far as the year's account was concerned, was that the Department concerned had not complied with Treasury direction, that the exceptional nature of the charge should be specially shown in a note to the Appropriation Account.

The Irish Government, however, had questioned the necessity for Treasury sanction in cases of the kind, and the Comptroller and Auditor General, after quoting the 27th section of the Exchequer and Audit Departments Act, 1866, reported that " it would appear that under this section it is in the discretion of the Treasury to require that all " expenditure of a special nature charged in any Appropriation Account should receive the sanction of . . . the " Treasury, who alone are vested with final powers of authorisation."

The Report of the Committee was as follows :—

" Your Committee do not think that it can be too much impressed upon Public Departments that whenever they " incur expenditure of a special character for which provision has not been made in the Vote, or which does not strictly " fall within the terms of the Vote or the description of its sub-heads, they should represent the circumstances to the " Treasury, with the view to obtaining the earliest possible sanction to it, even if, owing to some urgent cause, the " sanction only amounts to a covering sanction." Second Report, 1888, par. 23.

(VII.)

The Committee of 1890 made a Special Report on the subject of certain re-arrangements of the Estimates, by which the number of Votes was reduced.

They reported as follows :—

Third Report, 1890, paras. 3 and 4.

" In considering any new arrangement of Estimates reducing the number of Votes, the first point to be borne in " mind is the fact that the amalgamation of two or more Votes confers on the Departments increased freedom in the " use of the money that may be voted."

" Money hitherto voted under three separate Votes, for three different objects, will, if included in one Vote, be " applicable without any fresh Resolution of Parliament to all or any of the three objects. . . . . ."

" Your Committee hold that in every case where there is reason for maintaining Parliamentary control, to the " extent of requiring that any excess over the money granted by Parliament for any particular object or service, " should be submitted to the House, provision should be made for that service, as heretofore, in a separate Vote."

" To substitute in these cases, for that Parliamentary control, a control of the Treasury, such as that Department " now exercises over the application of money voted for one sub-head to the use of another, would be a great change. " Treasury control may be most carefully exercised in regard to the sub-heads of a Vote."

P. W.

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Weedon (*Ordnance Stores*). Examination in detail respecting expenditure in connection with the Ordnance Store Buildings, Weedon, with special reference to an item of 452*l.* 18*s.* 2*d.* disallowed by the Treasury for arm-racks, *Knox* 469–472. 476–492. 509–530. 538–543. 546–549.

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Woods, Forests, and Land Revenues. Satisfaction expressed with the statement made respecting arrears of mines outstanding and discharged, *Sir E. W. Hamilton* 3574, 3575; *Sir C. L. Ryan* 3576, 3577.

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Yorke, H. F. R. (Analysis of his Evidence.)—Information respecting the practice of the Admiralty (under Vote 2), as regards the issue of cloth to contractors to be made into garments, with respect to the system of repayment by the contractors and the mode of crediting the value, 1070–1091.

Explanations in support of the objection on the part of the Admiralty to supply further information, as suggested by the Comptroller and Auditor General, respecting the value of stock (Victualling Yards), on 31st March 1893; opinion that what is proposed is not worth the expense involved, 1822–1826. 1829–1842. 1846–1851.

Statement in reply to the question raised by the Comptroller and Auditor General as regards some losses or condemnations of certain Admiralty stores not having been referred, in the first instance, to the Treasury; eventual reference to the Treasury as regards the passing of these stores, though the Admiralty has not been able to attach blame to any particular officer, 1852–1858. 1860–1872.

SPECIAL REPORT

AND

REPORTS

FROM THE

STANDING COMMITTEE

ON

LAW, AND COURTS OF JUSTICE, AND LEGAL PROCEDURE,

ON THE

BUILDING SOCIETIES (No. 2) BILL,

AND THE

BUILDING SOCIETIES (No. 3) BILL;

WITH THE

PROCEEDINGS OF THE COMMITTEE.

Ordered, by The House of Commons, *to be Printed,*
24 *May* 1894.

LONDON:
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BY EYRE AND SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.

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1894.

STANDING COMMITTEE ON LAW, AND COURTS OF JUSTICE, AND LEGAL PROCEDURE.

[*Tuesday*, 10*th April* 1894]:—Sir John Mowbray reported from the Committee of Selection; That they had nominated the following Members to serve on the Standing Committee for the consideration of all Bills relating to Law, and Courts of Justice, and Legal Procedure, which may, by Order of the House, be committed to such Standing Committee:—

Committee nominated of—

Mr. Ambrose.
Mr. Asquith.
Mr. Atherley-Jones.
Mr. Attorney General.
Mr. Bartley.
Mr. Beach.
Mr. Bolitho.
Mr. Jacob Bright.
Mr. Brodrick.
Mr. Bryce.
Mr. John Burns.
Mr. Carson.
Sir Edward Clarke.
Mr. Courtney.
Mr. Donald Crawford.
Mr. Cremer.
Mr. Curzon.
Mr. Darling.
Sir Charles Dilke.
Mr. Dillon.
Sir William Hart Dyke.
Mr. Tatton Egerton.
Mr. John E. Ellis.
Sir Thomas Esmonde.
Mr. S. T. Evans.
Sir Walter Foster.
Mr. Henry H. Fowler.
Mr. Herbert Gardner.
Mr. Gathorne-Hardy.
Mr. Herbert Gladstone.
Mr. Haldane.
Sir Charles Hall.
Sir Edward Harland.
Mr. T. M. Healy.
Mr. Staveley Hill.
Mr. Samuel Hoare.
Mr. Henry Hobhouse.
Sir Ughtred Kay-Shuttleworth.
Mr. Kenyon.
Mr. Knox.
Mr. W. F. Lawrence.
Mr. Shaw Lefevre.
Mr. Lloyd-George.
Mr. Lockwood.
The Lord Advocate.
Mr. MacNeill.
Mr. Matthews.
Mr. John Morley.
Mr. Edward Morton.
Mr. Mount.
Mr. Mulholland.
Mr. Muntz.
Mr. William O'Brien.
Sir Charles Pearson.
Mr. Pickard.
Mr. Picton.
Mr. John E. Redmond.
Mr. Bryn Roberts.
Sir Albert Rollit.
Sir George Russell.
Mr. Parker Smith.
Mr. Francis Stevenson.
Mr. Storey.
Mr. Taylor.
Sir Richard Temple.
Mr. Webb.
Mr. Whitmore.
Mr. Stuart-Wortley.

[*Tuesday*, 17*th April* 1894]:—Sir John Mowbray reported from the Committee of Selection; That they had discharged the following Members from the Standing Committee on Law, and Courts of Justice, and Legal Procedure: Mr. Samuel Hoare and Sir Ughtred Kay-Shuttleworth; and had appointed in substitution: Mr. Boulnois and Mr. Billson.

[*Thursday*, 26*th April* 1894]:—Sir Henry James reported from the Chairmen's Panel; That they had appointed Mr. Arthur O'Connor to act as Chairman of the Standing Committee for the consideration of Bills relating to Law, and Courts of Justice, and Legal Procedure.

[*Tuesday*, 24*th April* 1894]:—Building Societies (No. 2) Bill read a second time, and committed to the Standing Committee on Law, and Courts of Justice, and Legal Procedure.

[*Friday*, 27*th April* 1894]:—Sir John Mowbray reported from the Committee of Selection; That they had added the following Fifteen Members to the Standing Committee on Law, and Courts of Justice, and Legal Procedure, in respect of the Building Societies (No. 2) Bill: Mr. Gerald Balfour, Mr. Banbury, Mr. Benn, Mr. Thomas Henry Bolton, Mr. Bucknill, Dr. Clark, Mr. Cohen, Mr. Crosfield, Mr. Dodd, Mr. Thomas Healy, Mr. Lees Knowles, Mr. Herbert Lewis, Sir John Lubbock, Mr. Pickersgill, and Mr. George Russell.

[*Monday*, 7*th May* 1894]:—Building Societies (No. 3) Bill read a second time, and committed to the Standing Committee on Law, and Courts of Justice, and Legal Procedure, to which the Building Societies (No. 2) Bill was committed.

[*Monday*, 7*th May* 1894]:—Sir John Mowbray reported from the Committee of Selection; That they had discharged the following Members from the Standing Committee on Law, and Courts of Justice, and Legal Procedure: Sir Edward Clarke and Mr. Boulnois; and had appointed in substitution: Sir Richard Webster and Sir Michael Hicks Beach.

[*Wednesday*, 23*rd May* 1894]:—*Ordered*, That all Standing Committees have leave to print and circulate with the Votes the Minutes of their Proceedings and any amended Clauses of Bills committed to them—(Mr. *Arthur O'Connor*).

SPECIAL REPORT.

THE STANDING COMMITTEE on LAW, and COURTS OF JUSTICE, and LEGAL PROCEDURE, to whom the BUILDING SOCIETIES (No. 2) BILL and the BUILDING SOCIETIES (No. 3) BILL were referred;——HAVE agreed to the following SPECIAL REPORT:—

"The Committee having carefully considered the merits of both the Bills referred to them, decided to adopt the Building Societies (No. 2) Bill as a basis for their Proceedings, and to Report the remaining Bill without Amendment to the House"

REPORTS.

THE STANDING COMMITTEE on LAW, and COURTS OF JUSTICE, and LEGAL PROCEDURE, to whom the BUILDING SOCIETIES (No. 3) BILL was referred; ——HAVE agreed to Report the same without Amendment.

THE STANDING COMMITTEE on LAW, and COURTS OF JUSTICE, and LEGAL PROCEDURE, to whom the BUILDING SOCIETIES (No. 2) BILL was referred; ——HAVE gone through the same, and made Amendments thereunto.

24 *May* 1894.

STANDING COMMITTEE ON LAW, AND COURTS OF JUSTICE, AND LEGAL PROCEDURE.

Thursday, 24th May 1894.

MEMBERS PRESENT:

Mr. ARTHUR O'CONNOR in the Chair.

Mr. Gerald Balfour.
Mr. Banbury.
Mr. Bartley.
Mr. Beach.
Mr. Benn.
Mr. Billson.
Mr. Thomas Henry Bolton.
Mr. Cohen.
Mr. Courtney.
Mr. Donald Crawford.
Mr. Crosfield.
Sir Charles Dilke.
Mr. John E. Ellis.
Mr. Herbert Gladstone.
Mr. Lawrence.
The Lord Advocate.
Sir John Lubbock.
Mr. Pickersgill.
Mr. Bryn Roberts.
Mr. George Russell.
Mr. Storey.

BUILDING SOCIETIES (No. 2) BILL.

Motion made and Question, That the Building Societies (No. 2) be now considered—(Mr. *Herbert Gladstone*),—put, and *agreed to*.

Clause 1, *agreed to*.

Clause 2.

Amendment proposed, in page 2, line 6, to leave out from the word "shall" to the word "statement" in line 10—(Sir *John Lubbock*).—Question, That the words proposed to be left out stand part of the Clause,—put, and *negatived*.

Another Amendment proposed, in page 2, line 15, to leave out the word "four" and insert the word "five"—(Sir *John Lubbock*).—Question, That the word "four" stand part of the Clause,—put, and *agreed to*.

Another Amendment proposed, in page 2, line 24, to leave out from the word "With" to the word "Act," in line 37—(Sir *John Lubbock*).—Question, That the words proposed to be left out stand part of the Clause,—put, and *agreed to*.

Another Amendment proposed, in page 2, line 37, after the word "Act" to insert the words "Provided that the last-mentioned particulars shall not be required to be set forth in any account or statement for an official year ending before the thirty-first day of December, one thousand eight hundred and ninety-five"—(Mr. *Herbert Gladstone*).—Question proposed, That the proposed words be there inserted.

Amendment, by leave, *withdrawn*.

Another Amendment proposed, in page 2, line 39, after the word "correct," to insert the word "and"—(Sir *John Lubbock*).—Question, That the word "and" be there inserted,—put, and *negatived*.

Another Amendment proposed, in page 2, lines 39 and 40, to leave out the words "and in accordance with law"—(Sir *John Lubbock*).—Question, That the words proposed to be left out stand part of the Clause,—put, and *agreed to*.

Another Amendment proposed, in page 3, line 1, after the word "society," to insert the words "in respect of each particular debt"—(Mr. *Storey*).—Question proposed, That the proposed words be there inserted.

Amendment, by leave, *withdrawn*.

Clause *agreed to*.

Clause 3,

Clause 3, *agreed to.*

Clause 4.

Amendment proposed, in page 3, line 19, to leave out the word "ten," and insert the word "twenty"—(Sir *John Lubbock*).—Question, That the word "ten" stand part of the Clause,—put, and *agreed to.*

Another Amendment proposed, in page 3, line 21, after the word "application" to insert the words "and shall hold not less than fifty pounds paid upon shares in the society"—(Sir *John Lubbock*).—Question, That the proposed words be there inserted,—put, and *negatived.*

Clause *agreed to.*

Clause 5.—Amendment proposed in page 4, line 14, to leave out the words "may, if he thinks fit," and insert the word "shall"—(Sir *John Lubbock*).—Question, That the words "may, if he thinks fit," stand part of the Clause,—put, and *negatived.*

Question, That the word "shall" be there inserted,—put, and *agreed to.*

Another Amendment proposed in page 4, line 34, after the word "State," to insert the words "given on each occasion"—(Sir *John Lubbock*).—Question, That the proposed words be there inserted,—put, and *agreed to.*

Clause, as amended, *agreed to.*

Clause 6, *agreed to.*

Clause 7.—Amendment proposed, in page 6, line 8, to leave out from the word "shall" to the word "up," in line 10.—Question, That the words proposed to be left out stand part of the Clause,—put, and *agreed to.*

Clause *agreed to.*

Clauses 8—19, *agreed to.*

Clause 20.—Amendment proposed, in page 9, lines 30 and 31, to leave out the words "after the year one thousand eight hundred and ninety-five"—(Sir *John Lubbock*).—Question, That the words proposed to be left out stand part of the Clause,—put, and *agreed to.*

Clause *agreed to.*

Clauses 21—23, *agreed to.*

New Clause.

"This Act shall, except as otherwise expressed, come into operation on the first day of January, one thousand eight hnndred and ninety-five"—(Mr. *Herbert Gladstone*).—Brought up, read the first and second time, and added to the Bill.

Another New Clause (Provisions as to money borrowed in excess of borrowing powers).

"(1) Where any sum has been borrowed by a building society by receiving loans, deposit or otherwise, and that sum would be recoverable from the society, if in borrowing the sum the society had not exceeded the limits of borrowing fixed by its rules or by the principal Act, that sum shall be recoverable from the society, notwithstanding that the limits of borrowing have been exceeded.

"(2) Where any sum has been so borrowed by a building society in excess of the limits fixed by its rules or by the principal Act, those persons who were directors of the society when that sum was borrowed shall be jointly and severally liable to pay an amount equal to that sum to the society"—(Sir *John Lubbock*).—Brought up and read the first time.

Question, That the proposed New Clause be read a second time,—put, and *negatioed.*

Schedules *agreed to.*

Ordered, To Report the Bill, as amended, to the House.

Special Report, proposed by Mr. *Herbert Gladstone,* read the first time as follows:—"The Committee having carefully considered the merits of both the Bills referred to them decided to adopt the Building Societies (No. 2) Bill as a basis for their proceedings, and to report the remaining Bill without Amendment to the House."

Special Report read a second time.—Question, That this Report be the Special Report of the Committee to the House,—put, and *agreed to.*

Ordered, To Report the Building Societies (No. 3) Bill without Amendment to the House.

SPECIAL REPORT

AND

REPORTS

FROM THE

STANDING COMMITTEE

ON

LAW, AND COURTS OF JUSTICE, AND LEGAL PROCEDURE,

ON THE

BUILDING SOCIETIES (No. 2) BILL,

AND THE

BUILDING SOCIETIES (No. 3) BILL;

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[*Price* 1 *d.*]

130. *Under* 1 *oz.*

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K 26 MAY 1971